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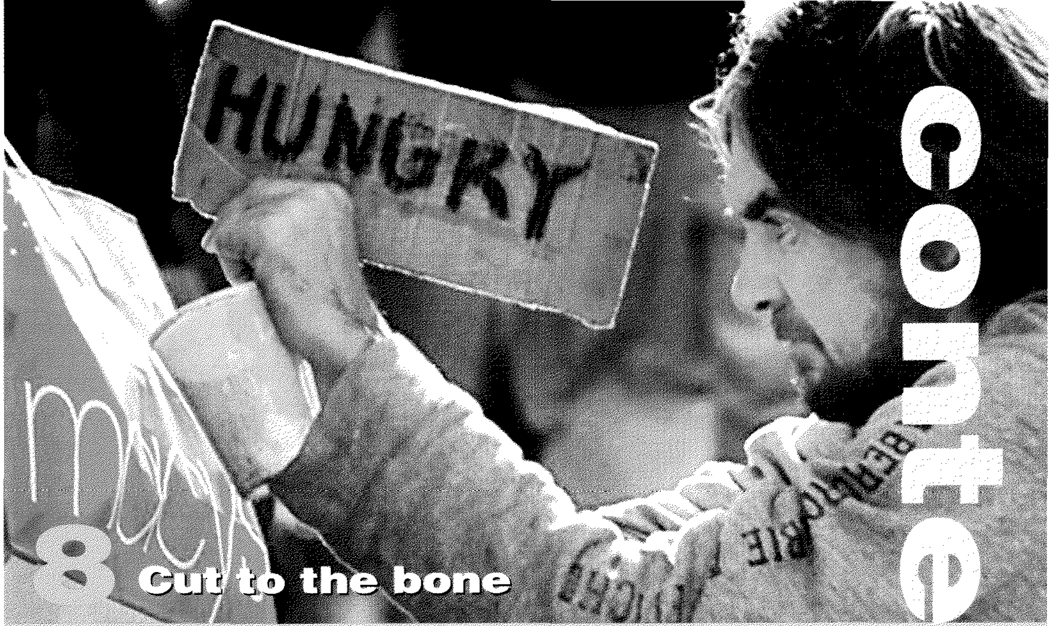

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Rough end of the street

Nonprofit social service organizations occupy the end of a rough street, out where public policy meets the often-grim reality of people's lives. Most of these food banks, homeless shelters, safe houses for abused women and children, medical clinics, legal aid offices, schools for homeless children and counseling centers for homeless teens — are coping with less money and more clients who've been cast adrift in a faltering economy. The situation these nonprofits confront daily is worth the attention of those who allocate state resources, as writer Sigrid Bathen explains on page 8. Also worth noting is how decisions involving enrollment policies at the University of California and California State University will impact students from working class and low-income families. Not well, as writer Pamela Burdman explains on page 20. Finally, *California Journal* has undergone an exciting change in ownership, as I explain more fully in a column on page 17.

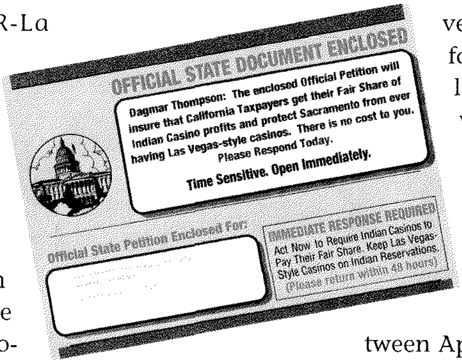
A. G. Block

Cover photo: Thanksgiving dinner at the Los Angeles Mission. Reed Saxon, Associated Press.

umbrage

Lapdog of the month

The "official state document" arrived in the mail, urging the recipient to respond immediately. The "document" was a petition for a ballot initiative that would "insure that California taxpayers get their fair share of Indian casino profits" and protect California from "ever having Las Vegas-style casinos." Inside was a letter from the initiative's proponent — state Sen. Jim Battin (R-La Quinta). His letter sounds tough on Indian casinos, requiring them to pay the going corporate income tax rate on profits. And he sounds oh-so-protective of taxpayers because the proposal would confine all casinos to Indian reservations. "In the future," his letter warns, "you could even find Sacramento threatened with big Las Vegas-style casinos!" Godfrey Daniels! If it weren't for that faithful watchdog, Jim Battin, we'd be going down the road to sin, depravity and all kinds of River City Hell. But before we commission a statue of Sen. Battin, let's review what his letter did not say. By confining casinos to Indian reservations, the initiative creates a monopoly for gaming tribes. By banning anyone but a tribe from opening a casino, the initiative prevents competition for the casino dollar and leaves it with a special interest group that is not subject to state regulation. Battin also did not say that between April and October 2003, he received $200,000 in campaign contributions from a variety of gaming tribes. And at least $476,000 in tribal contributions collected from January 1999 to December 2002. Looks like the watchdog is more of a lapdog.



OFFICIAL STATE DOCUMENT ENCLOSED

Dagmar Thompson: The enclosed Official Petition will insure that California Taxpayers get their Fair Share of Indian Casino profits and protect Sacramento from ever having Las Vegas-style casinos. There is no cost to you. Please Respond Today.

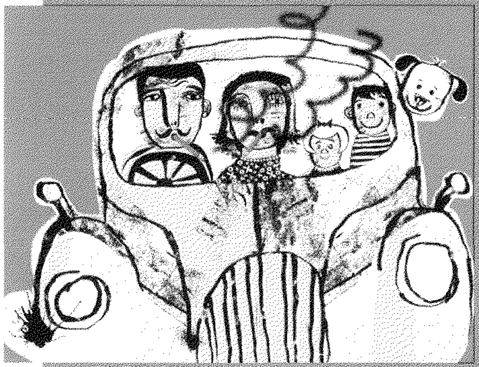
Time Sensitive. Open Immediately.

Official State Petition Enclosed For:

IMMEDIATE RESPONSE REQUIRED
Act Now to Require Indian Casinos to Pay Their Fair Share. Keep Las Vegas-Style Casinos on Indian Reservations.
(Please return within 48 hours)

Do we really need a law?

This will probably come as a shock to some, but ... sitting down? ... smoking is bad for you. Not only is smoking bad for *you* when you puff away, the carcinogens you produce are bad for everyone in your zip code. So, common sense dictates parents should snuff it out while driving their kids to soccer, school or on vacation trips. They apparently don't, studies reveal. One recent survey of 12,000 high school students, cited in the *San Diego Union-Tribune*, noted that 29 percent had been exposed to tobacco smoke in a car within the previous week. Young kids in car seats are especially in the danger zone while mom, dad or granny fumes away. Now comes Assm. Marco Firebaugh (D-Los Angeles) wielding a fire extinguisher in the form of AB 2997 — which, if passed and signed by the governor, would be the first law in the country to make it a crime to smoke with kids in the car. Do we really need this law? Richard Carmona, the U.S. Surgeon General, doesn't think so — at least not yet. "I don't want the government to intervene in my life," Carmona said during a visit to the *Journal* last month. Declaring that "tobacco should be done away with altogether," the Surgeon General said he would support such a law "if that's the only remedy to get people to do the prudent thing." Meanwhile, Firebaugh's proposal seems like a small slap on the wrist. A violation carries a $25 fine.



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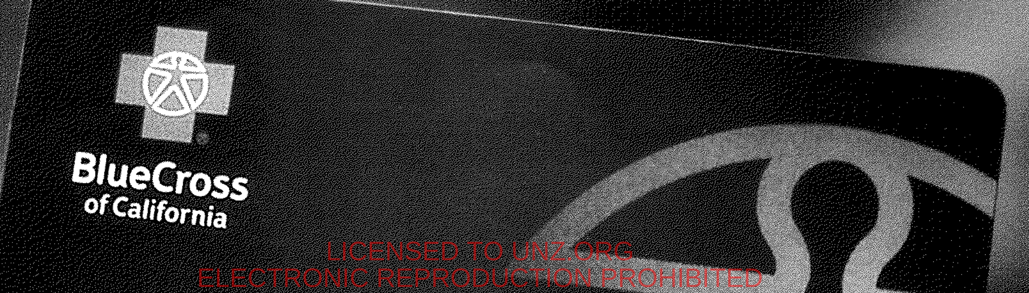
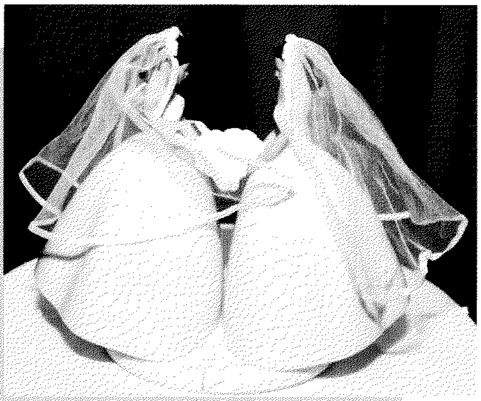


Gay Marriages:

The new wedding industry



Last month, Massachusetts became the first state to legally allow same-sex marriages. This month, California's Supreme Court will decide whether San Francisco Mayor Gavin Newsom was lawful in allowing more than 4,000 gay and lesbian couples to marry in City Hall.

As the political debates swirl, the gay and lesbian wedding industry has kicked into high gear. From wedding Web sites, such as www.twobrides.com, to the travel industry touting gay honeymoon destinations, there's a wealth of info out there for same-sex couples planning to celebrate their union. Just in time, Berkeley-based Nolo Press recently re-issued the 12th version of its popular "A Legal Guide for Lesbian & Gay Couples." Its chapters address the not-so-romantic aspects of becoming partners: renting or buying a home together, obtaining domestic partner benefits, purchasing insurance, writing a will, raising children (aptly titled "I'm Daddy, He's Papa"), even divorce. Given the coast-to-coast surge in same-sex weddings, the updated edition could become a national best-seller.

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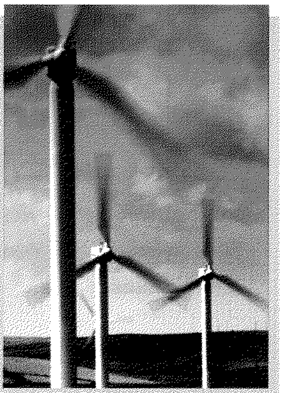
Environment:

Windy dilemma



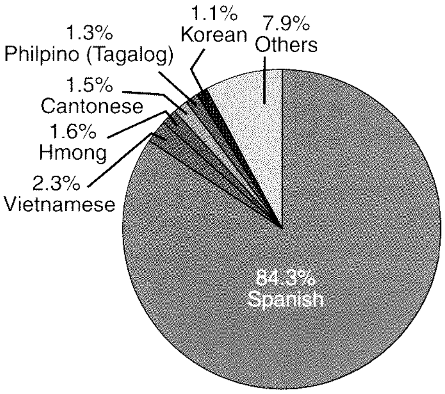
It's one of the great environmental ironies. California's giant wind farm at Altamont Pass, touted as one of the state's cleanest energy sources, is under attack — by environmentalists. That's because the number of hawks, eagles and other raptors killed by flying into the spinning blades of the giant windmills — an estimated 22,000 birds over the past 20 years — has outraged a number of environmental groups, including Californians for Renewable Energy and the Center for Biological Diversity (CBD). They've appealed the wind farm's renewal permits by the Alameda County Board of Supervisors, which takes up the issue this month. The CBD also filed a federal lawsuit in San Francisco, demanding that windmill owners compensate California for the bird deaths with land/habitat acquisitions. "The issue at Altamont is not wind power versus birds, but rather whether the wind power industry is willing to take simple steps to reduce bird kills," CBD spokesman Jeff Miller said.

In other words, what's good for the environment may not be good for the environment.

Tower of Babel:

The languages of school

EdSource, an education policy group, has released its 2004 Resource Cards on California Schools, which notes that 25.6% of K-12 students are learning English, while another 14.9% have mastered English as a second language. As expected, most English-learners speak Spanish (84.3%), with Vietnamese a distant second at 2.3%. The "others" category includes over 60 languages.

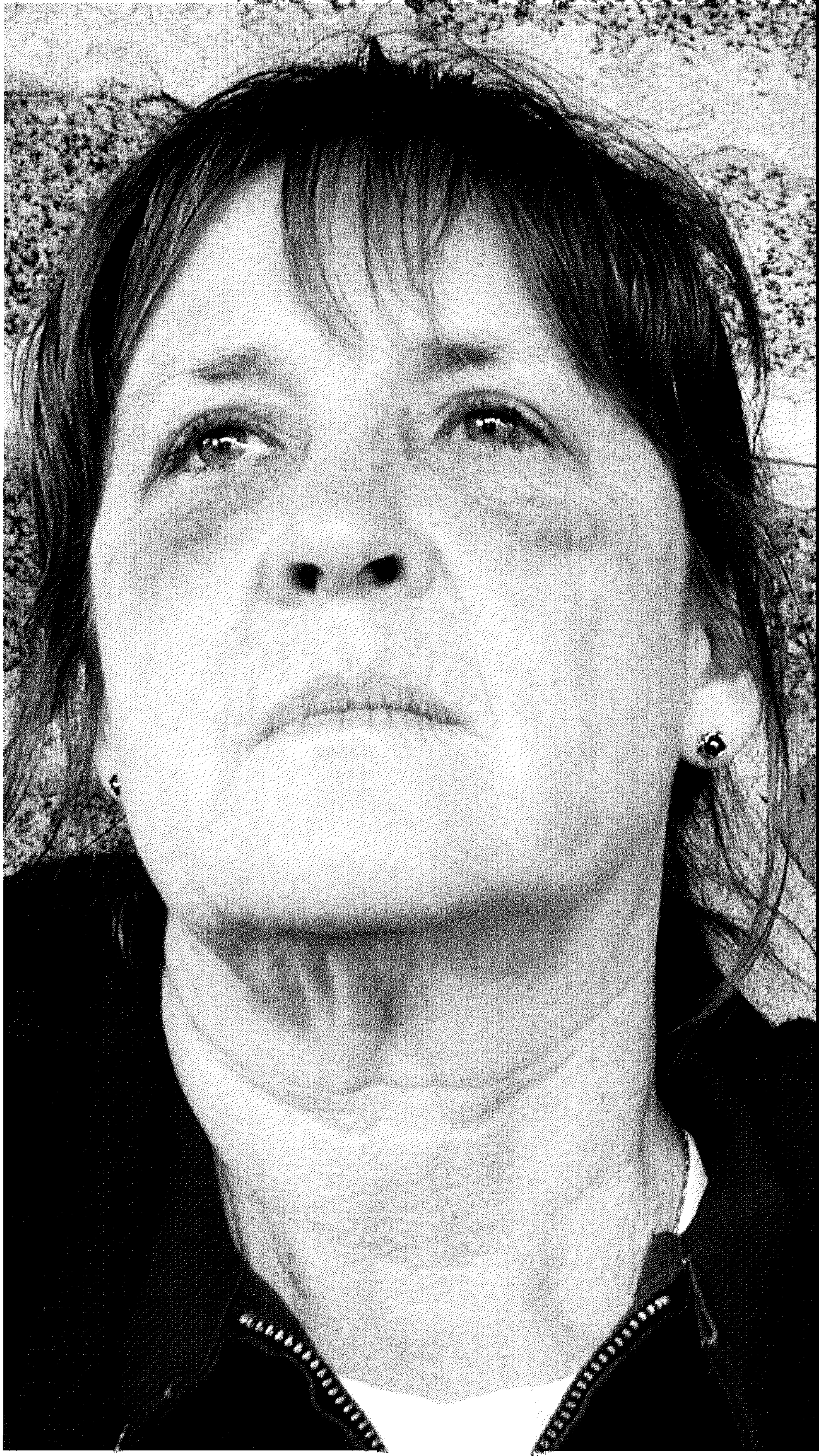


Primary Language of K-12 English Learners, 2002-03

Quotables.....

"I am looking forward to a part-time Legislature."

— Governor Arnold Schwarzenegger's closing remark at the May revise press conference, in response to a *California Journal* question asking if the workers' compensation compromise could have been accomplished with a part-time Legislature.



"My beating didn't make the TV news."

Suzi Jones is a wife, mother and grandmother.

She's also a correctional peace officer at California State Priso Sacramento.

On March 18, Officer Jones wa working alone in an area of the prison that should have been patrolled by two officers. But because of staff cuts, her partn was away.

An inmate entered the area an assaulted Officer Jones withou saying a word. He knocked he the ground and beat her repeate

"He wanted to kill me.
I could see it in his eyes."

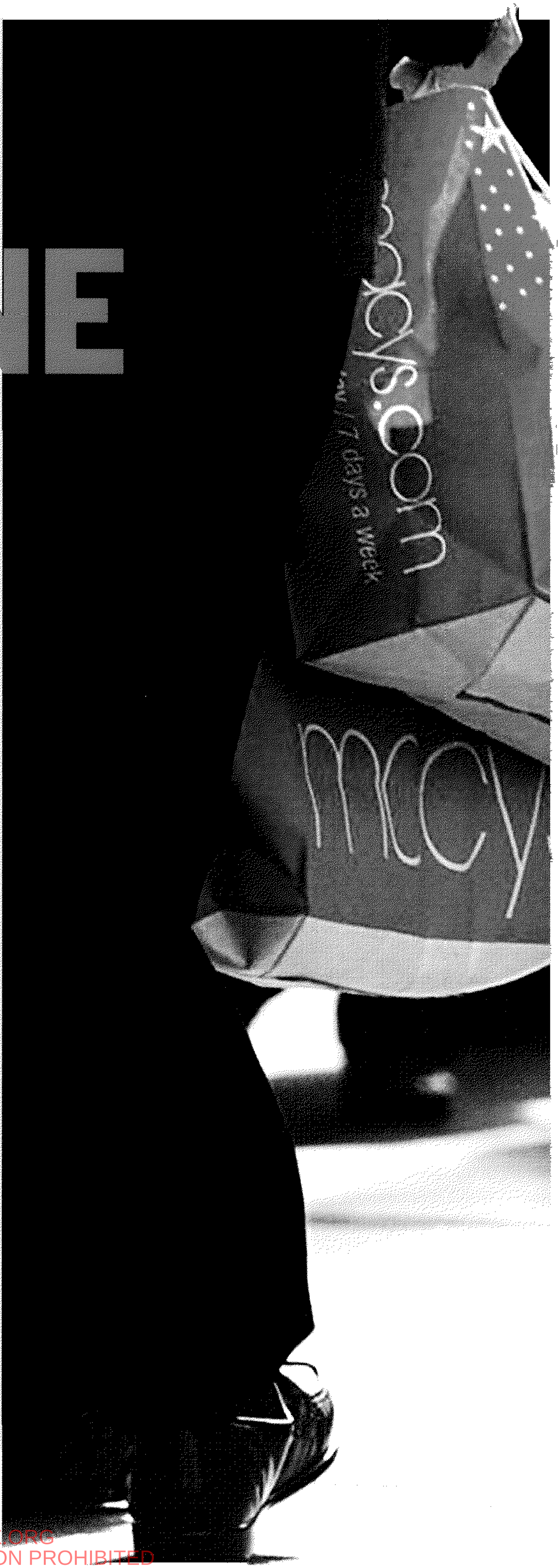
On average, nine officers are assaulted inside California priso every day. But you'd never kno by watching the news or readi a newspaper.

Correctional Peace Officers As
755 Riverpoint Dr.
Sacramento, CA

CUT TO THE BONE

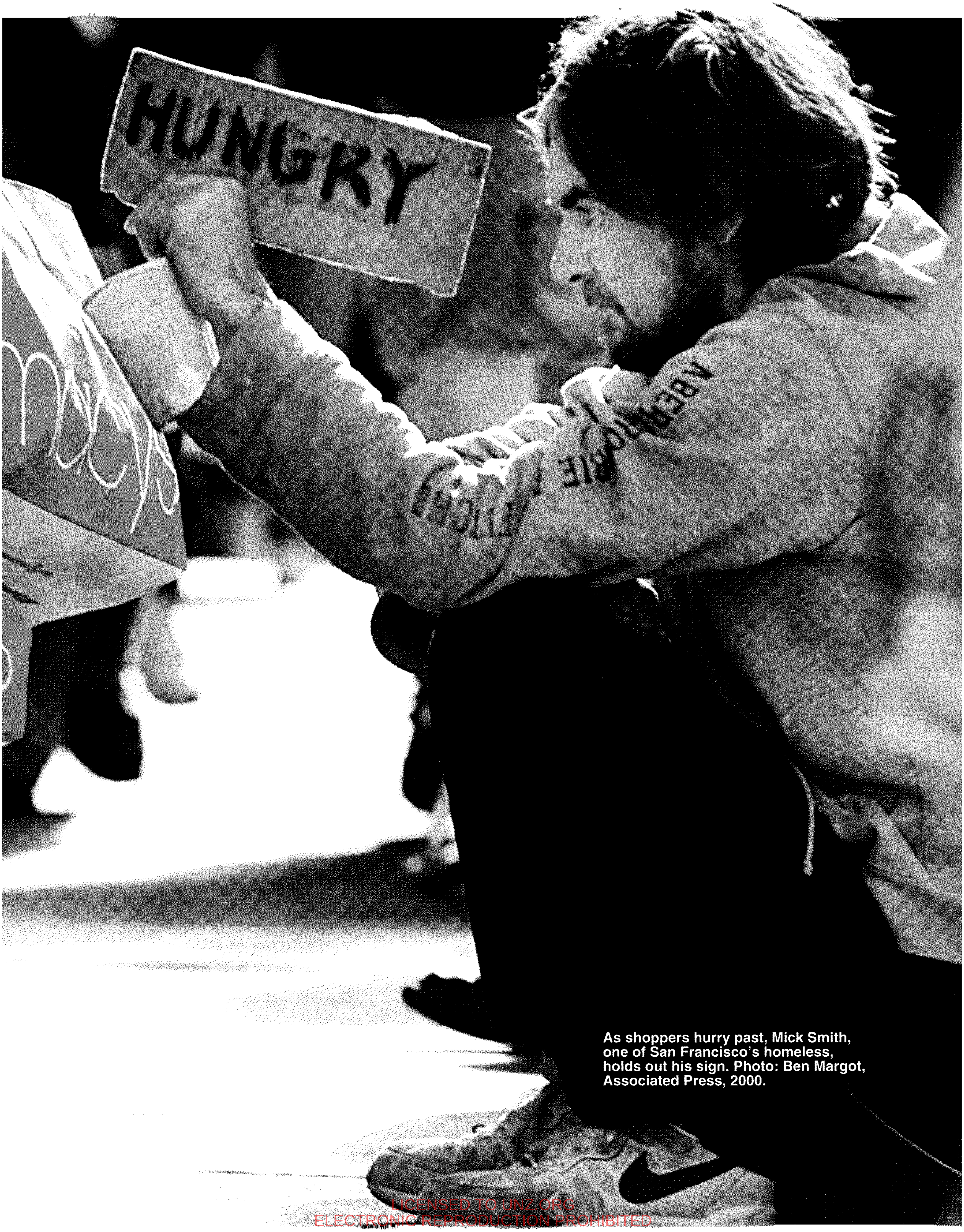
After several years of deep cuts in government-funded human services programs, nonprofit organizations both small and large are increasingly taking up the slack. Dependent on government grants and charitable contributions, these community groups serving California's huge "underclass" are saying, "No More!" Already cut to the bone, with many critical services eliminated entirely, nonprofits are sounding the alarm as they brace for yet another round of painful budget cuts.

By Sigrid Bathen



It is late afternoon in the gritty center of the venerable Loaves & Fishes complex on the industrial fringe of downtown Sacramento, and rough-looking men with leather skin and haggard, world-weary faces are moving on to the next stop. The daily free lunch service, which is the centerpiece of the 20-year-old program, ended hours ago and there are no more "seconds" as in past years. "Friendship Park," the tiny patch of ground where homeless adults converge, surrounded by a chain-link fence and the adjacent roar of the afternoon commute on Highway 160, closes promptly at 3 p.m. It's time to move on.

Nowhere is the clash of government budget cuts and shrinking safety nets more pronounced than in places like this, where


HUNGRY
ABERCROMBIE
FITCH
macys

As shoppers hurry past, Mick Smith, one of San Francisco's homeless, holds out his sign. Photo: Ben Margot, Associated Press, 2000.

critical services are often clustered together, both for accessibility and to cut down on costs. Loaves & Fishes is the so-called safety net in microcosm.

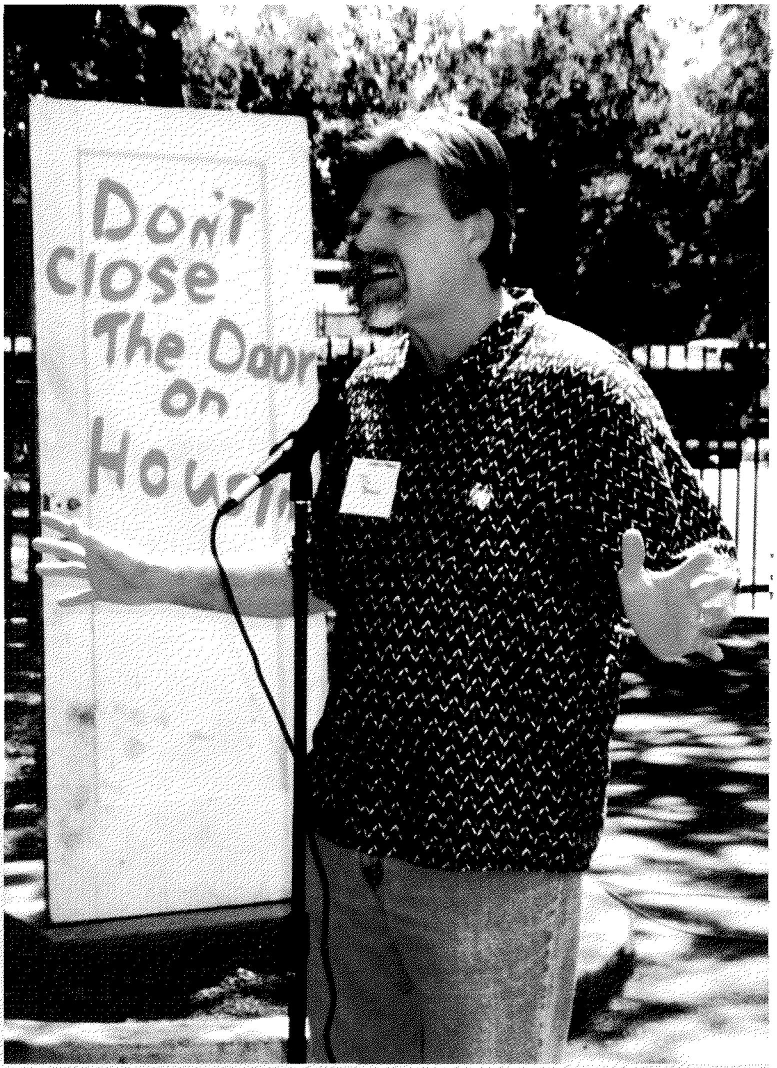
Dominated by the large, warehouse-like building where hundreds of free meals are provided daily, the complex also includes: the "Clean and Sober" program to help alcoholics and addicts kick their habits; St. John's Shelter, an overnight shelter for women and children; Maryhouse, a day program where women can go for showers, food and counseling; WIND Youth Services, a drop-in day center for homeless teens (see sidebar, p.12) and the Mustard Seed School for children of homeless parents. Other programs are located in neighboring areas. All face daily struggles to provide needed services, even to keep their doors open.

As the afternoon wanes, the homeless men, women and children begin their daily search for overnight shelter, scattering to one of the nearby homeless shelters if they're lucky or, if they're not, to the streets, the riverbanks or whatever patch of ground they can find to spend the night. Come morning, many will repeat the same grim routine, trekking back and forth on the industrial fringe in search of a meal, a used jacket, diapers and baby food, a pint of cheap booze, a hit of crank or crack or heroin. Once almost exclusively male, their numbers increasingly include women and children, sometimes entire dispirited families trudging up 12th Street.

Some on the daily trek are neatly, even professionally, dressed — for work, a job interview, a court date or a chance to qualify for cheap housing. Others don't make it through the night, dying on the streets or, rescued too late, in area hospitals from disease, addiction, violence, suicide, malnourishment or exposure.

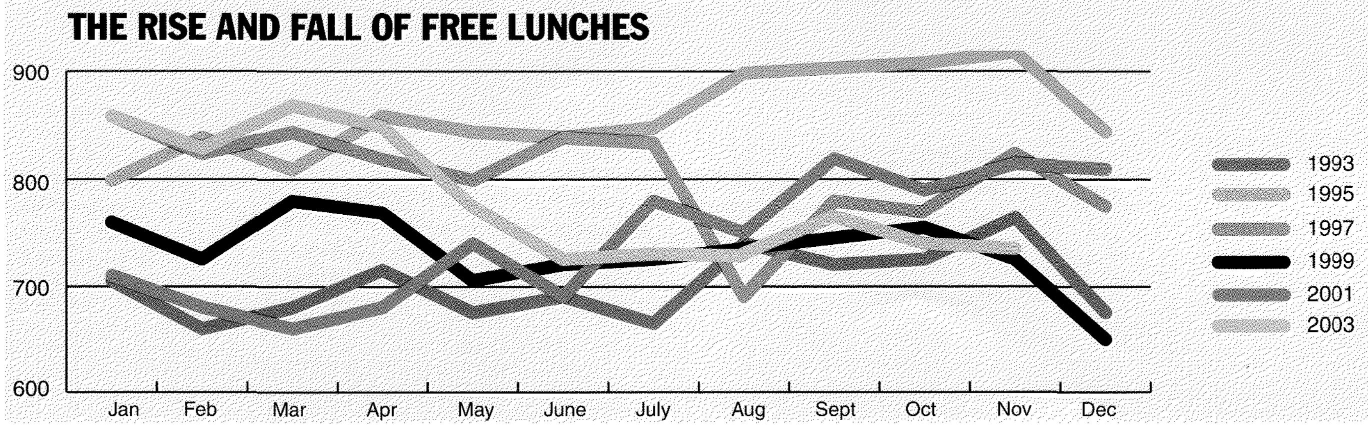
On the edge of Friendship Park, just yards from the swirl of cars heading to or from the suburbs, there is a memorial wall with the names of those who have died, whose numbers have reportedly increased in recent months. One of the recent deaths shocked even the toughest among the hardy souls who work here: A 9-year-old girl, homeless on the streets with her mother, died of pneumonia.

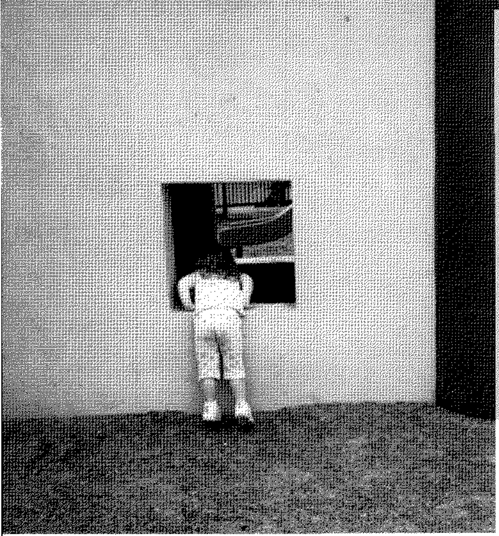
Statistics on the desperate, disparate condition — and the ultimate end — of the homeless population are difficult



Tim Brown, executive director of Loaves & Fishes, speaks at a Sacramento bake sale/press conference to raise awareness and money for a local housing assistance program threatened with budget cuts. Photo: Sigrid Bathen

The demand for free lunches at Loaves & Fishes, a nonprofit center serving the hungry and homeless in Sacramento, CA., generally reflects the economy's ups and downs, according to its executive director. In the last decade, during lean economic times, there's been a corresponding upswing in those asking for a free meal. Source: Loaves & Fishes, 2004


THE RISE AND FALL OF FREE LUNCHES



Above: Providing a respite for families at the St. John's Shelter in Sacramento, a group of church teens performs a musical skit. Left: A child inspects the playground at St. John's Shelter. Photos by Sigrid Bathen

to compile, even harder to interpret. Many are mentally ill, some recently (and frequently) institutionalized in a dwindling supply of treatment facilities, halfway houses, prisons and jails. Many are addicted to alcohol or other drugs, often plagued by the "dual diagnosis" of mental illness and addiction common to those who seek booze or street drugs to calm their inner demons; still others are simply down on their luck and out of work, part of the growing constellation of so-called "working poor" in America, one paycheck away from disaster.

Keeping track of people who die on the streets — or in hospitals or care facilities as a result of untreated conditions acquired on the streets — has become something of a mission for Tim Brown, a former Sacramento County psychiatric social worker who has been executive director of Loaves & Fishes for nearly five years. "We've kept track for 12 years of the people we know who have died on the streets, or died after a significant time on the streets," he says. "We have a memorial service for each one of them, and then their name goes on the Memorial Wall." One measure of the increased demand for the program's services, he believes, is the increase in the number of deaths.

"Typically, we average a memorial service every two weeks, 25 or 26 people each year who die of everything from murder, suicide, accidents, drug overdoses, assaults, TB, other 'third-world' diseases, you name it," he says. "But since Christmas (2003), we've had a memorial service each week." And, he says, there are more violent deaths and murderous assaults than in years past, as well as a general increase in tensions on the street that sometimes spill over into confrontations.

"We have a diverse crowd," says Brown, "and we've painstakingly built this kind of peaceful culture here that people value. ...With relatively few staff people, we've managed to maintain the peace here, although it's sometimes difficult. It's hard to prove, but I think it [is related to] the cuts in services. And while this is a bit anecdotal and subjective, it seems like the desperation level is a lot higher."

Brown says Loaves & Fishes is not impacted as directly as other nonprofits by cuts in government programs or grants, since its core operation takes no government money. But the impact is felt in other ways. "It's been harder to raise money," he said. "We saw our private donations drop in 2000 by about 10-15 percent a month. Last year was better, which surprised me because the economy wasn't that strong. Most of our money is raised through direct mail, and we ask more often. Five years ago, we were mailing to our supporters about seven times a year, and now we mail 10 or 11 times a year."

At the same time, the number of people seeking services from more than a dozen programs run directly by Loaves & Fishes — and another dozen programs it is involved with locally — has increased dramatically. It is a phenomenon cited by nonprofits across the state as they struggle to fill the gaps left by cutbacks in government services and grants, along with a drop in "charitable giving" by donors whose own incomes are affected by turbulent economic conditions.

Brown keeps a chart over his desk that marks the ebb and flow of demand for services — primarily in terms of the number of free meals served – and it generally mirrors economic trends. He points to 1995, “which was the end of the last recession, and our busiest year ever – we were up above 900 people a day. That came down between 1995 and 1999 to about 700 a day, but it jumped back up last year, when we had our busiest four-month period ever, from January through April (2003), and we were up over 850 people a day.” Currently, it's stabilized at around 700 meals a day, partly because they stopped serving second helpings a year ago.

“Even when the economy is really good, 700 [meals] a day is a lot,” he adds, noting a sharp increase in recent years in the number of families seeking services. “From 2000 on, there have been way more women and children. When we started 20 years ago, they were 10 percent of our population, and now they're over a third.” Brown and others blame the tight housing market and rapidly escalating housing costs. “Single parents are particularly squeezed,” he said.

Typical are Sacramento County's proposed cuts to a Loaves & Fishes' affiliate, Sacramento Self-Help Housing, which assists homeless people in finding affordable housing through agreements with private landlords and shared housing arrangements. The proposed $96,000 cut for 2004-05 will slash the highly regarded program's annual budget by three-fourths. Critics say the ultimate cost to government will be far greater.

“IT WILL BE VERY DIFFICULT TO
INVESTMENT THAT STATES
PROGRAMS]. WE

In one of the most comprehensive reports on the impact of cuts on the state's nonprofits, a survey of 741 “safety-net” California nonprofits conducted by the California Association of Nonprofits (CAN) in March showed that more than 40 percent of all organizations were operating with less revenue than last year. Asked to describe how they were dealing with the cuts, nearly half said they were postponing new hires, freezing salaries and reducing or eliminating programs; more than one-third had laid off workers, eliminated vacant

Young and Rootless

Homeless teens occupy a growing, but often overlooked, corner of homelessness in America, served by nonprofit and government programs that are severely hobbled by the state's budget cuts. These teens are living on the streets for varied reasons: those who've left intact, but impoverished families, runaways escaping abusive homes or refugees from a troubled foster-care system that inadequately prepares them to live independently.

By Alexandra Wagner

The bushy-haired young man, barely out of his teens, has been homeless for more than six months, sleeping on the ground in a tent with three other young men at a Boy Scout campground near the Sacramento River. Although it's illegal to stay there, these young men have found no other options.

Like many youths, Jason (not his real name) has a hard time getting up every morning, but his reality is in stark contrast to that of his sheltered peers. “The cold air hits you, and you just don't want to get up,” he explained. “In the winter, it's especially hard.” He hasn't slept in a bed in more than six months.

While Jason and his companions were camping illegally at the Boy Scout camp, police often raided the site.

“The police did a little drop-in this morning,” he added, pulling on the sleeves of his worn Army jacket. “That's always fun ... I woke up to people getting drawn (police drawing their guns).”

On a recent gray morning, unusually cold and wet for a Sacramento spring, the young man is sitting at a small desk at WIND Youth Services, a “drop-in” day center for homeless teens not far from downtown Sacramento. Homeless since moving to California to live with a friend, he is vague about his family – a father in Fresno and a mother living “on the East Coast somewhere,” who he said attempts to contact him periodically through a sister living

COME BACK AFTER THE DEVASTATION TO THE
ND COUNTIES HAVE MADE [IN THESE
RE JUST MAKING TERRIBLE DECISIONS.”
— FLO GREEN

Flo Green, executive director of the California Association of Nonprofits (CAN)

positions and increased their reliance on volunteers. (See chart, p. 19)

Flo Green, executive director of the Los Angeles-based CAN, whose 2,000 members are mainly nonprofits, says the budget cuts imposed on nonprofit and government health, housing and human services programs will take years to rebuild — even if the economy improves. “It will be very difficult to come back after the devastation to the investment that states and counties have made [in these programs],” she said. “We are just making terrible decisions. What this state has to face is that we have to generate some revenue. We can't just pretend this isn't an issue.”

“The things that are getting cut are prevention and intervention,” she added. “But what that does is move the client base to emergency services, law enforcement, juvenile jus-

Teens find a home at the WIND Youth Services center

out-of-state. Every morning, he walks to the WIND center to get breakfast, a shower and just to “kill time.”

WIND is one of many nonprofit agencies across the state that offer services for homeless teens, including shelter, food, counseling and sleeping bags and blankets. It operates a small overnight shelter in Carmichael, a Sacramento suburb, as well as the drop-in day center located near Loaves & Fishes, a homeless services center just a few miles from the state Capitol.

According to WIND services manger Ken Bennett, the young man's story is similar to that of many homeless teens in the area. “This is one of the great tragedies,” Bennett said. “We give these kids sleeping bags and blankets, then when the police raid these camps, the kids leave real quickly, so they leave their stuff behind and they have to start all over. All of their belongings get destroyed.”

Like many nonprofits, WIND operates with a mixture of state and federal government grants and private donations. But with a slow economy and the state facing huge budget shortfalls, funds to nonprofit social service providers are shrinking while the clientele they serve is increasing and becoming more desperate.

“We're seeing new kids each year,” says WIND program director Tasha Norris, “[including] kids who are doing well and are even in public schools but whose families end up homeless for some reason or another.”

Bob Ekstrom, the center's executive director, said at least a third of the center's 15 beds are occupied by teens enrolled in Sacramento public schools. “There is a dramatic increase of kids who have no experience being out there,” Ekstrom said. “When they get desperate, they do things like steal, get angry and hurt themselves.”

It is a common misconception that the majority of homeless teens are runaways who are high on drugs and flunking out of school. According to Norris, most of the teenagers who show up at WIND are “running away from something horrible” in their home life, such as abuse or tice, institutionalization. We're making choices that are far more expensive than prevention and intervention."

Directors of nonprofit agencies across the state echo those views — that state budget-cutters are pursuing a dangerous course that ultimately will result in whopping costs in emergency medical care, malnutrition, family dislocation and institutionalization in over-burdened treatment facilities, hospitals, prisons and jails.

"When the dot-com era took off, foundations gave out lots more dollars, the state was giving out dollars, and nonprofits were doing very well," recalls Ruth Holton, public policy director for the nonprofit The California Wellness Foundation, which funds numerous community health care services and clinics statewide. "When the dot-coms failed, the state and the foundations were both plummeting at the same time. It's been a huge problem, and has really taxed the nonprofit system in California."

At the same time, says Robert Fellmeth, longtime director of the Center for Public Interest Law and the Children's Advocacy Institute and a professor at the University of San Diego Law School, "extreme poverty" is "spiking up" as the safety net is faltering. "While those under 19 make up 29.8 percent of the population, they comprise 57 percent of those living in poverty. One million kids have no health insurance," he said.

ALWAYS OPERATING ON LIMITED FUNDS
NONPROFITS ARE TURNING TO WAYS THEY
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CONTINUE TO BE TOUGH, AND THE NON

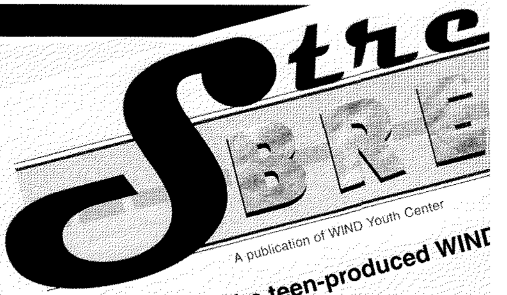
Every year, Fellmeth's center — which like other nonprofits has been hard hit by budget cuts and dried-up grant money — nonetheless produces a massive "Children's Budget," describing in stark statistical detail the state's failure to adequately fund programs deemed critical to children. The upcoming Children's Budget for 2004-05, due out in June, does not paint a pretty picture, with virtually all levels of children's services — from child day care and foster care to child abuse prevention, education and juvenile justice — staggering under years of cuts.

Nonprofits that provide services to children and families cannot begin to make up the slack left by cuts in domestic violence.

"There are more and more teenagers on the streets, but there is no place for them," she said. "They're a forgotten group because they're not cute and cuddly anymore."

A major segment of the teen homeless population is comprised of those in foster care who have been arbitrarily dropped into "adulthood" after becoming "emancipated" at age 18—with little or no preparation to live on their own or any means of economic support. Child advocacy groups across the state are alarmed by proposed cuts in Governor Arnold Schwarzenegger's 2004-05 budget that target programs begun in recent years to help emancipated foster youths. They say such cuts will likely trigger a dramatic increase in teen homelessness.

According to Darrell Hamm, a senior attorney for the National Center for Youth Law in Oakland, nearly two-thirds of all homeless people in California were at some point in the foster care system. "A number of homeless teens are refugees from the foster system who have not been prepared by the state to be self-sufficient," he said.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S
A publication of WIND Youth Center

Masthead of the teen-produced WIND

To help former foster youth transition to adulthood, the federal government funded a transitional housing grant in 2001 for states to establish housing and service programs for these teens. Contracted out almost entirely to nonprofit organizations, Traditional Housing Programs-Plus were among the first to be cut back last year when state and county governments began feeling the fiscal crunch.

"THP-Plus programs are such a big help to foster

EMANCIPATED FOSTER/HOMELESS YOUTH

- Nationwide, between 500,000 and 1.3 million children are in foster care.
- California is home to 1 in every 5 of the nation's foster children — the highest of any state.
- Nationally, up to 50% of foster/probation youth become homeless within 18 months of emancipation (turning 18).

- About 27% of homeless individuals nationwide have spent time in the foster care system.

ND INCREASINGLY CRUNCHED BY CUTBACKS,
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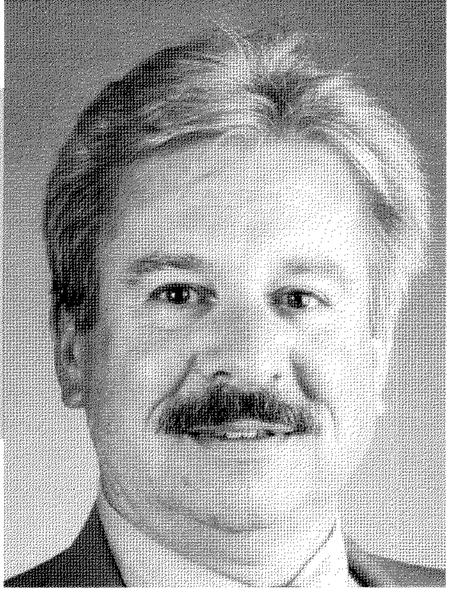
— DR. MICHAEL CORTES


Dr. Michael Cortes, director of the USF Institute for Nonprofit Organization Management

government programs. The result, children's advocates say, has been fewer inspections of child care facilities, less early intervention in instances of child abuse and domestic violence, more drug babies and less prenatal care and less opportunity for early-childhood education.

Always operating on limited funds and increasingly crunched by cutbacks, nonprofits are turning to ways they can maximize their effectiveness by tightening budgets still further, sharing information and resources — and hoping for a better day. "I stick my neck out at my peril, but my best guess is that the next few years will feature slow improvement in the economy," says Dr. Michael Cortes, director of the University of San Francisco Institute for Nonprofit Organization Management, which researches nonprofits and philanthropy. "It's going to continue to be tough, and the nonprofit sector will be among the last to recover."

As funding sources shrink, Cortes says a "growing field of study" in universities is focused on the business side of nonprofits. USF offers the oldest master's degree program

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youths who lose their benefits at age 18," said Stacy Darcy, program coordinator for the CARE Collaborative, a THP-Plus program in Contra Costa County. "But they are also the first on the chopping block."

Although cutbacks are touted as cost-saving measures, THP-Plus advocates warn that the state ultimately will pay more if larger numbers of former foster youths end up on the street, in jail or prison. According to a 2003 study co-sponsored by the California Department of Social Services, 20 percent of emancipating youth are incarcerated within 18 months of reaching their 18th birthday and leaving the foster-care system. The annual cost to taxpayers, according to the California Youth Authority, is about $60,000-$80,000 per inmate.

"The state will pay more when these youths end up incarcerated, or when they end up on welfare or drugs," said Marie Thompson, a 19-year-old who spent more than a year living on the streets as a homeless teenager in the Bay Area.

At a church homeless shelter, she found out about Project Independence, a THP-Plus program in Fremont for former foster care teenagers like herself. Through the program, Thompson was able to find an apartment and a full-time job as an outreach worker at Washington Hospital in Hayward. With Project Independence facing possible elimination, Thompson is helping to lobby lawmakers in Sacramento for more funding.

"If it wasn't for Project Independence, I wouldn't be here because there was no one else to turn to," Thompson said. "The state puts you out at 18 and expects you to just go."

California Journal *intern Alexandra Wagner is a junior majoring in political science at University of the Pacific in Stockton, where she is managing editor of the student newspaper,* The Pacifican. *Send comments to* **comments@californiajournal.com**

In 2001, more than 65% of California youths forced to leave foster care after their 18th birthday were in need of safe, affordable housing.

- In California, fewer than half of foster youth are employed 2.5-4 years after leaving foster care. Only 38% have maintained employment for at least a year.

- Youths in foster care are 44% less likely to graduate from high school.

Sources: U.S. Dept. of Housing and Urban Development, CA Dept. of Social Services, 2003.

dedicated exclusively to nonprofit administration in the country and is expanding to satellite campuses in Sacramento and Santa Rosa. "Most who run nonprofits have learned how to do it through the school of hard knocks," says Cortes. "They may have been well-trained in casework or clinical methods, but [nonprofit administration and accounting] is not part of their training."

Although the plight of nonprofits in urban areas often gets more media exposure, conditions for the poor in remote rural areas of the state are equally dire, if not worse. Up in Eureka, Dan Heinen is executive director of the St. Vincent de Paul Society, which operates thrift stores and provides food, housing and clothing for many of the working poor in Humboldt County. As head of the Northern California Association of Nonprofits in Humboldt, Del Norte and Trinity counties, Heinen says the isolated geography and the loss of timber and fishing industries has hurt.

Jean Ross, director of the California Budget Project

> "IT'S BEEN A SLOW SQUEEZE ON HEALTH AND HUMAN SERVICES PROGRAMS. PEOPLE HAVE TRIMMED AND TIGHTENED THEIR BELTS, BUT YOU RUN OUT OF WAYS TO DO THAT."
> — JEAN ROSS

"As nonprofits, we are collectively serving more people than we ever have before. We're seeing more first-time consumers, people who have been on unemployment, borrowed money from family, can't find jobs, and they're going to a food bank for the first time. They are proud people who are used to taking care of their families."

Heinen says nonprofits have to think differently. "As we have had to become more self-sufficient, we have to run these nonprofits more like businesses," said Heinen, who holds a business degree from San Diego State University and had a long career as a retail business manager. "The days of huge grants and huge donations are gone."

In Santa Clara County, center of the dot-com collapse, the Silicon Valley Council of Nonprofits, which represents 168 area nonprofits, recently completed a study of 457 county contracts with some 130 nonprofit agencies. Overall, the council concluded, nonprofit contracts — for everything from alcohol and drug counseling to mental health and domestic violence programs — were reduced by more than $8.3 million between 2003 and 2004, translating into 170 fewer jobs at nonprofits.

The proposed cuts for 2004-05 in Santa Clara County will be more than 25 percent over 2003 funding levels, according to the council's study. "This will translate into thousands of client service hours eliminated, the closure of program services, and an estimated 200-300 more [nonprofit] jobs lost," the study concluded.

The state and local budget crises in California are inextricably linked in a trickle-down system that dumps its dwindling load of cash — and growing numbers of people — into the shrinking nonprofit safety net. For those with long experience in the murky trenches of the state budget process, there's no relief in sight..

Jean Ross, former principal consultant to the Assembly Revenue and Taxation Committee who has run the independent California Budget Project for 10 years, views the vicissitudes of state and local budget battles with the practiced eye of a seasoned budget expert. CBP receives foundation and other grants to do analysis of public policies affecting "the economic and social well-being of low- and middle-income Californians."

The CBP's most recent budget study, "Stretched Thin," assesses the overall impact of several years of funding reductions on county health and human services programs. Its conclusions are dire.

"It's been a slow squeeze on health and human services programs," Ross said in an interview. "As the counties downsize, it increases pressure on the community-based safety net. The cumulative impact of several years of reductions means that organizations have less slack. People have trimmed and tightened their belts, but you run out of ways to do that. ... And the need is huge."

As the state's July 1 budget deadline looms, nonprofit administrators say the pressure — and the desperation level of clients — intensifies, with no manageable end in sight. "I hate to use the cliché, 'the perfect storm'," says the Wellness Foundation's Holton, "but that's what it is."

Sigrid Bathen, a former California Journal *senior editor, has written extensively about social services programs for various publications. An adjunct professor of journalism and communications at California State University, Sacramento, she is currently media director for the state Fair Political Practices Commission. CJ intern Alexandra Wagner contributed to this article. Comments may be sent to* **comments@californiajournal.com**

Roots: A look at where we were and where we're headed

by A.G.Block

When I first came to the *California Journal* as a part-time managing editor in 1983, the magazine was nonprofit and published by the California Center, where it existed on a financial shoestring. The *Journal* had operated that way more or less since its inception in 1970, never quite having the resources to grow, surviving on a series of rabbits pulled from an increasingly threadbare top hat.

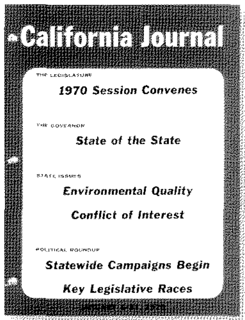
In 1986, in an effort to pump financial life into the magazine, then-publisher Tom Hoeber organized a group of investors who took the *Journal* into the private sector where, for the next four years, it operated on yet another financial shoestring.

Then, in 1990, the *Journal* was purchased by State Net, a legislative and regulatory information service headquartered in Sacramento. The president of State Net was, and is, Jud Clark — one of the five founders of *California Journal* back in 1970. In a sense, the *Journal* had come full circle.

The match was a good one for both State Net and *California Journal.* The magazine provided its parent company with credibility at a time when State Net was adding a journalistic component to its legislative activity. In turn, State Net gave the *Journal* financial stability for the first time in its history and invested enough in staff and resources to allow the magazine to evolve into a more modern and robust publication. And State Net did so even when the *Journal* proved to be a financial drain.

State Net — and Jud Clark in particular — has been an excellent steward for *California Journal*, proud of its accomplishments and supportive of its efforts despite an uneven bottom line. But over the past few years, as State Net focused more and more on a national, rather than a California-only market, the *Journal* became less and less central to the company's core business.

Last year, State Net began to search for a new owner for the magazine, one that would carry on the *Journal's* rich tradition of nonpartisan public policy journalism. Ultimately, it was decided to return the magazine to its roots, and a nonprofit foundation was established to seek the funding necessary to acquire the publication.



California Journal

THE LEGISLATURE

1970 Session Convenes

THE GOVERNOR

State of the State

STATE ISSUES

Environmental Quality

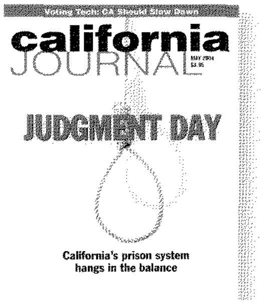
Conflict of Interest

POLITICAL ROUNDUP

Statewide Campaigns Begin

Key Legislative Races

First *CJ* issue, Jan. 1970



Voting Tech: CA Should Slow Down

california JOURNAL

JUDGMENT DAY

California's prison system hangs in the balance

CJ, May 2004

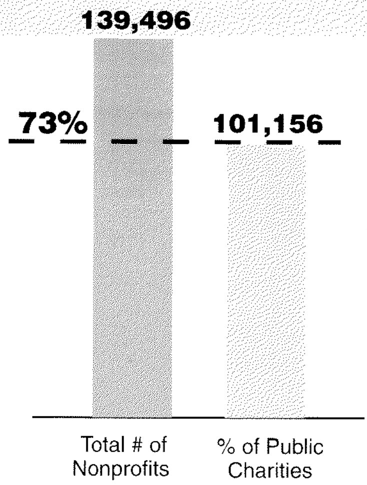
Thus was born the California Journal Foundation for Research and Education in State Government. A prestigious board of directors was recruited and, working entirely *pro bono*, raised the needed funds. Barry Munitz, president of the J. Paul Getty Trust, serves as chairman of the board. Other board members include former Gov. Pete Wilson, California Business Roundtable Pres. William Hauck, attorney "Chip" Nielsen, political consultant Darry Sragow and author/journalist Lou Cannon. Another board member, former Assm. Spkr. Robert Hertzberg, has taken a leave of absence while he runs for mayor of Los Angeles.

The magazine had help from other friends as well. Most of the funding necessary to kick-start the Journal's new life as a nonprofit came in the through grants from the James Irvine Foundation and the William and Flora Hewlett Foundation. David Lyon, president of the Public Policy Institute of California, provided valuable counsel, as did Gary Pruitt, chief executive officer of McClatchy Newspapers, and Kim Belshe', formerly with the Irvine Foundation and now secretary of the state Health and Human Services Agency. Then-*Journal* editor Dave Lesher, now with *The Sacramento Bee*, laid much of the groundwork needed to establish a successful relationship with the foundation world. We also are deeply indebted to Jud Clark and State Net for believing so strongly in the *Journal's* vision and worth.

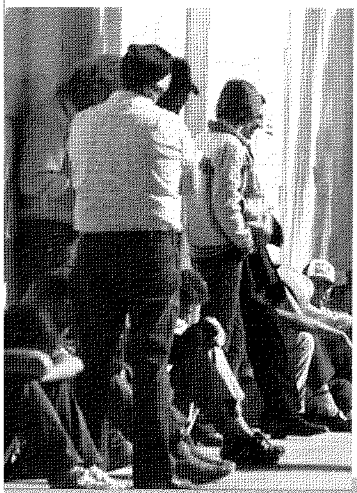
As the *Journal* moves into a new era, it still operates on a financial shoestring. Despite the generosity shown us, the magazine is not out of the financial woods and must continuously seek support from foundations, corporations and individuals to supplement its revenues from advertising and circulation.

Much work remains to be done to secure this publication's financial future, but the board of directors and the staff of *California Journal* are excited about the possibilities now open to the magazine. With you, the loyal readers of this magazine, we intend to make *California Journal* better than ever.

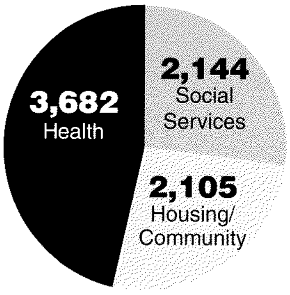
A.G. Block is editor of California Journal *and president of the California Journal Foundation. Send comments to* **comments@californiajournal.com**



CA Nonprofits



Nonprofits Serving Individuals



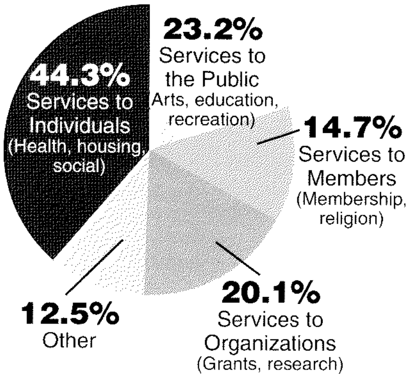
Feeling the Pain

Nonprofit agencies provide a wide range of services to Californians who are poor, elderly, homeless, physically or mentally ill, escaping violent homes, or just temporarily down on their luck. After several years of deep cuts in government social and human services programs, these nonprofits — the so-called "safety net" — are increasingly relied upon to provide critically needed services. Because many nonprofits depend heavily on government funding and private donations, both of which are dwindling, they have scrambled to stretch their resources in recent years.

DOWN AND CUT OUT

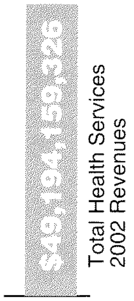
Nonprofit Revenues

Among all California nonprofits in 2002, total revenues were $121 billion — the biggest slice in housing, health and community services. In dollar terms, 77% of California's nonprofits have annual revenues under $100,000.



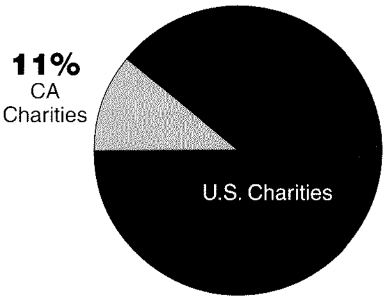
Health Services Top the List

Among public charities, health services are the dominant activity, comprising 41% of California's nonprofit revenues.

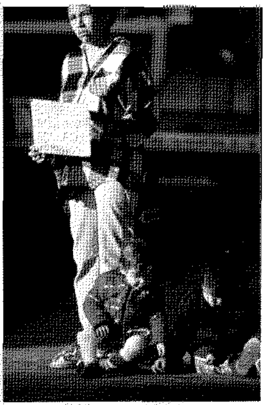


A Sizable Slice

California has 11.4% of all the charities in the country — more than the combined total of Hawaii, Massachusetts, New Jersey, North Carolina and Virgina.

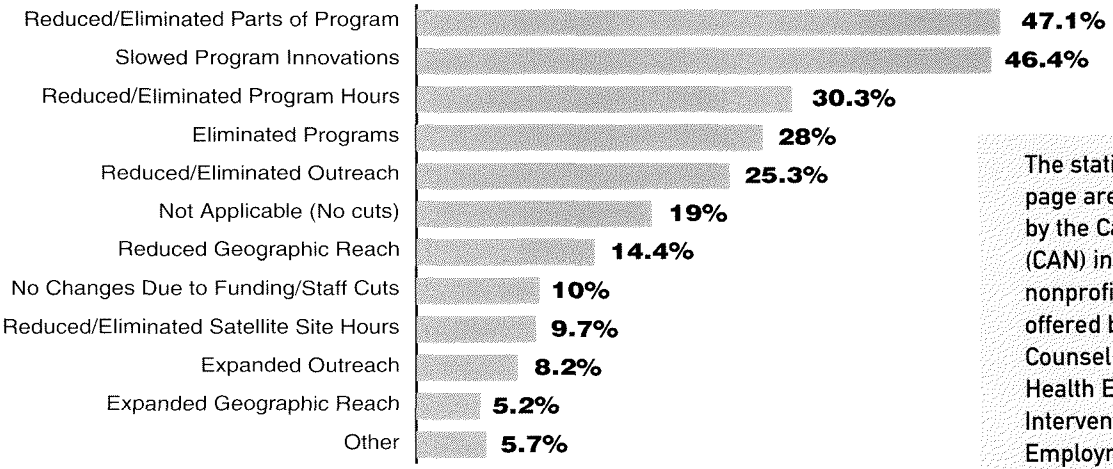


Source this page: University of San Francisco, Institute for Nonprofit Organization Management, www.inom.org



Impact of Cuts on Services

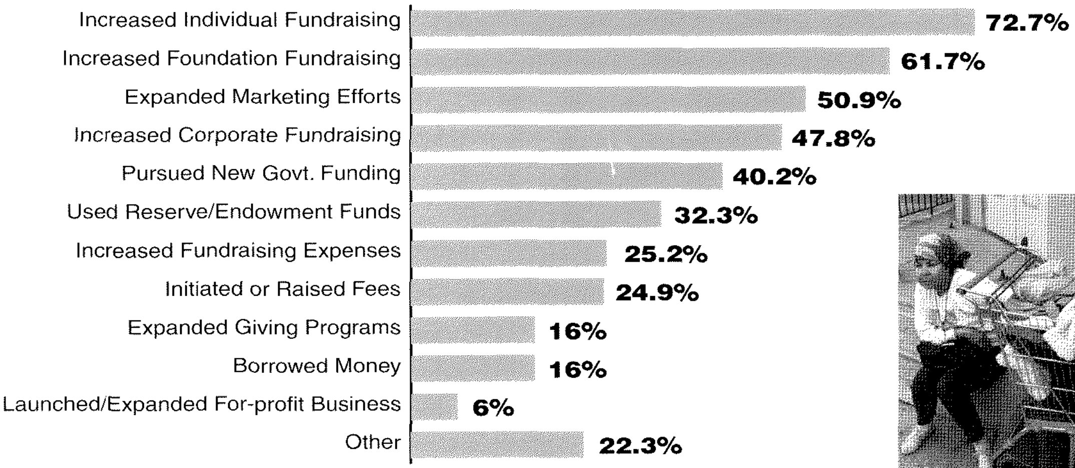
Budget cuts and a slow economy have hit California nonprofits hard. In order to cope, they have reduced or consolidated services in the following ways:



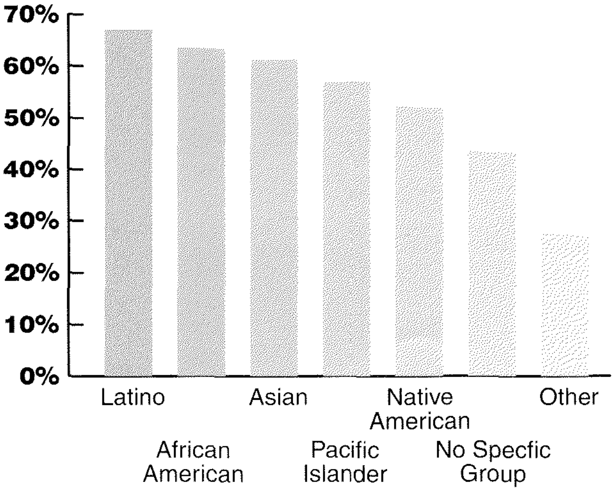
The statistics on this page are from a survey by the California Association of Nonprofits (CAN) in March 2004 of 741 "safety-net" nonprofits in California. The services offered by the survey respondents include: Counseling/Therapy, Empowerment, Health Education, Food/Nutrition, Crisis Intervention, Mental Health, Housing, Employment, Substance Abuse, Disability, Shelter, Rehabilitation and other services.

Strategies Used to Cope With Less Revenue

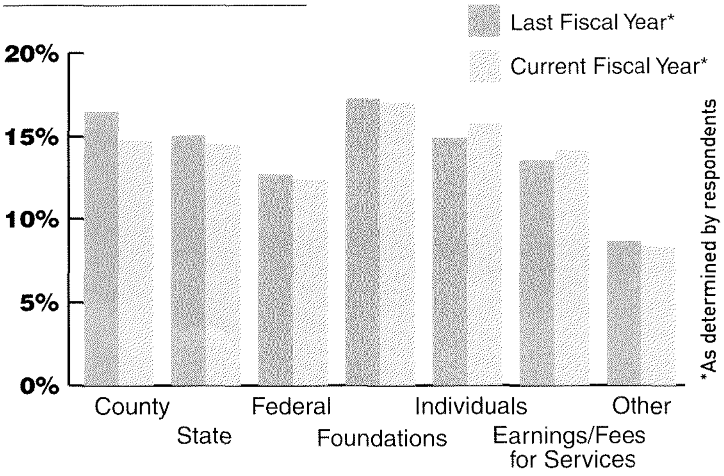
Nonprofits have found they must be particularly creative in hard times. These are some of their strategies.



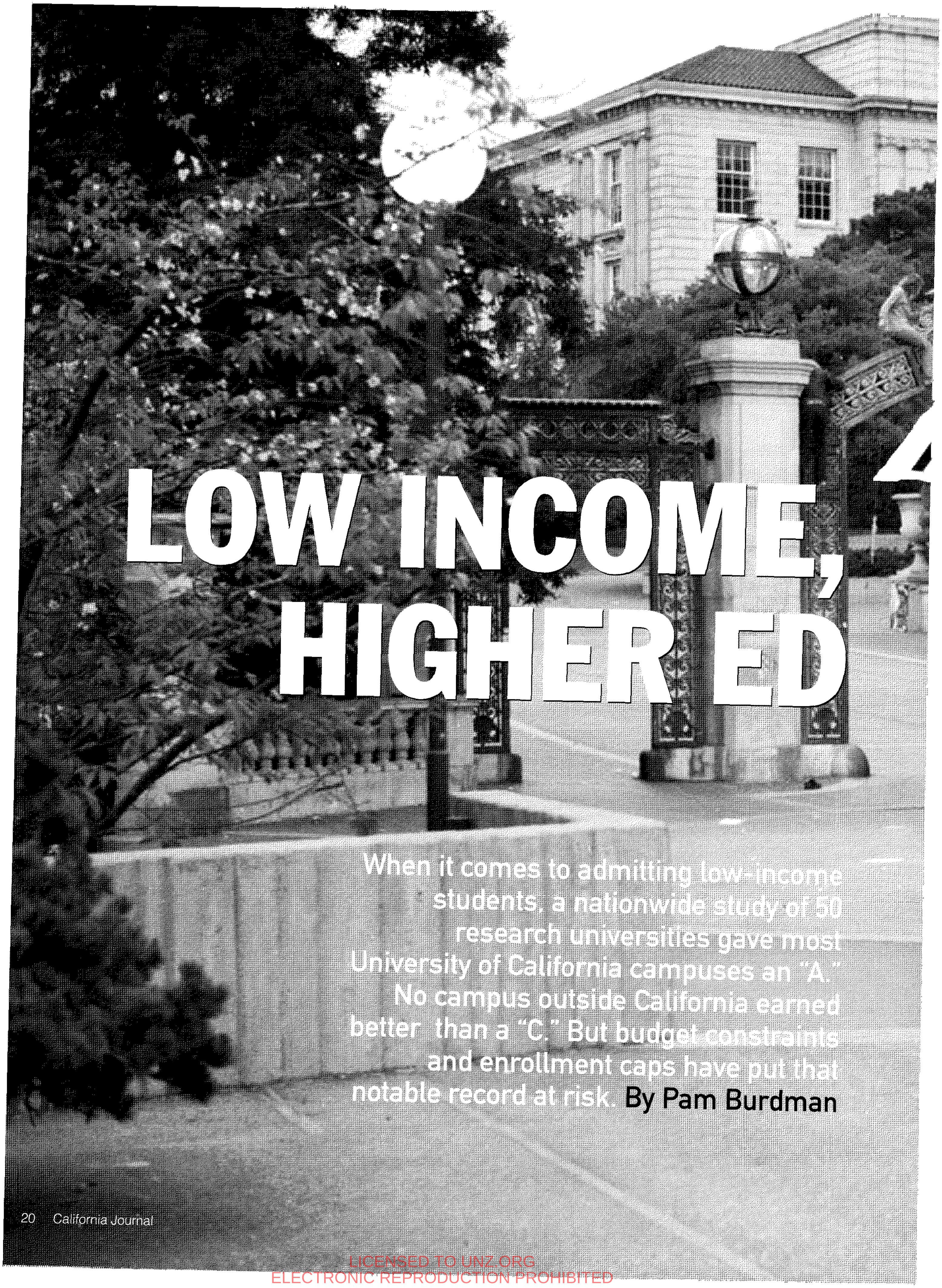
Ethnic Groups Served



Revenue Sources



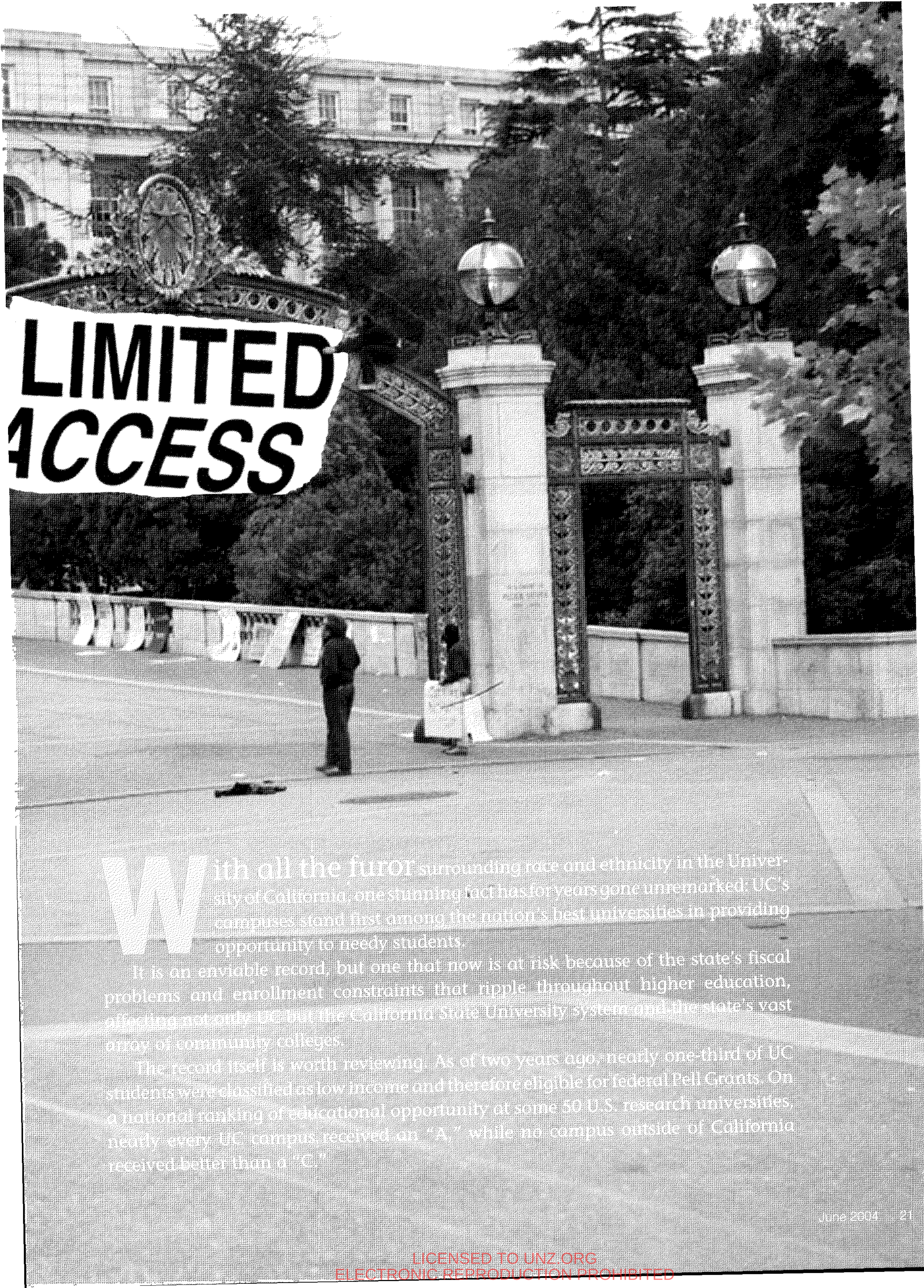
Source this page: California Association of Nonprofits/Human Interaction Research Institute Survey, 3/2004, www.canonprofits.org



LOW INCOME, HIGHER ED

When it comes to admitting low-income students, a nationwide study of 50 research universities gave most University of California campuses an "A." No campus outside California earned better than a "C." But budget constraints and enrollment caps have put that notable record at risk. **By Pam Burdman**

LIMITED ACCESS



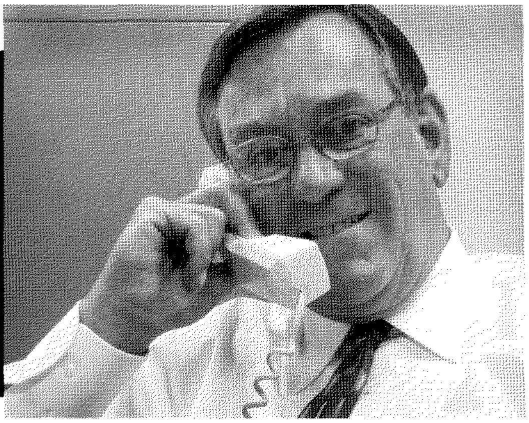
With all the furor surrounding race and ethnicity in the University of California, one stunning fact has for years gone unremarked: UC's campuses stand first among the nation's best universities in providing opportunity to needy students.

It is an enviable record, but one that now is at risk because of the state's fiscal problems and enrollment constraints that ripple throughout higher education, affecting not only UC but the California State University system and the state's vast array of community colleges.

The record itself is worth reviewing. As of two years ago, nearly one-third of UC students were classified as low income and therefore eligible for federal Pell Grants. On a national ranking of educational opportunity at some 50 U.S. research universities, nearly every UC campus received an "A," while no campus outside of California received better than a "C."

"The students who constitute our first mission [are] students who can't get into the university. The basic-skills students, the immigrants, the students who need remedial work to get into the mainstream of the educational ladder, those are still our priority."

— Howard Perdue



Howard Perdue, vice chancellor for enrollment, Peralta Community College District

And even as most schools on the list were growing less diverse in economic terms, UC campuses were enrolling increased numbers of underprivileged students. In 1992, for example, 27 percent of Berkeley's students were eligible for Pell Grants. By 2001, that proportion had climbed to 32 percent. That share stands out not only against elite schools, mainly high-cost privates, but also among public flagships, where Berkeley ranks in the top five nationally (along with the University of New Mexico at Albuquerque and SUNY-Buffalo) for enrollment of low-income students.

Tom Mortenson, an Iowa-based higher-education policy analyst who conducted the studies, found no secret to UC's success: "Nothing stood out, except that they were doing everything and they were doing it right."

The statistics reveal a commitment to expanding opportunity that is not just rhetorical but visible in policies, such as limited tuition increases, sufficient financial aid, admissions policies mindful of students' income status, and outreach programs help promising disadvantaged students get ready to attend college.

Mortenson frequently cites California when he admonishes other states to pay more heed to economic equity. "The point I make is that if the UC system can develop the best national universities and enroll low-income kids, then anybody else should be able to [who] cared to," he said.

That same devotion to affordability has kept the doors of California State University campuses open, ensured community college students the lowest fees in the nation and established the state's need-based Cal Grant program. That sense of equity earned the state an "A" for affordability in "Measuring Up 2002," a higher education report card published by the San Jose-based National Center for Public Policy and Higher Education.

Cracks in the commitment

But there are cracks in California's commitment, thanks to the state's crushing fiscal crisis and each "do right" approach on behalf of low-income students has come under threat. A multi-year compact struck between the governor and the universities would lift undergraduate tuition another 14 percent this year and preserve the institutions' in-house financial aid funds, but there was no compact with the Student Aid Commission for corresponding increases in the number of Cal Grants. After first proposing to freeze the need-based awards, the governor agreed to use one-time money from a student loan fund to increase the grants this year. With no state money promised for outreach programs, UC and CSU were scrounging for other funds to keep those efforts alive.

"If we're not careful, if we don't plan, if we don't put into effect ameliorating programs or look closely at this, there is a danger that we're going to disproportionately impact [low-income students]," acknowledges Francisco Hernandez, vice chancellor of student affairs at UC Santa Cruz. "I don't think that the consequences to the state have been fully considered. If we don't give these students the opportunity to attend college, then we're limiting their options and our options as a state for economic recovery."

There were some signs that a 40-percent tuition increase over two years was already taking a toll. This year, for the first time since 1993 — the last major tuition hike — fewer freshmen applied to UC than did the previous year. Nearly 74,000 students sought freshman seats, compared with about 77,000 last year, and drops were noted among students whose parents didn't attend college and students from rural areas. At the same time, the lower-cost CSU campuses witnessed a 16 percent jump in applications over last year.

But even if threats to affordability are eliminated in budget negotiations, seats at the state's universities are becoming increasingly scarce. Several dynamics are coalescing to constrain the supply of slots available, especially among the most vulnerable populations. The state's refusal to pay for additional students to attend the UC campuses this year, intensified scrutiny from Board of Regents Chairman John J. Moores to justify admission of students with below-average SAT scores, and pressure from Sacramento for UC to tighten eligibility requirements in order to return to the Master Plan target of admitting the top one-eighth of graduating seniors.

Following the governor's plan, the universities implemented enrollment reductions of 10 percent of new freshmen for the fall, and that alone is causing a ripple effect throughout higher education. It is a grand reshuffling, and at the end of the day it will be impossible to sift through college enrollment numbers and say which students were impacted by which policy decisions. What is easy to predict, however, is that the students who will bear the increased burden — or, some fear, be lost to higher education altogether — are the most vulnerable, especially poor students with less-educated parents and those who attend the bottom quartile of the state's high schools.

For the first time in 44 years, UC did not have seats for all eligible freshmen. Instead, campuses sent "rain checks" to 7,600 California high school seniors, guaranteeing them a space in two years if they attend a community college. While some UC applicants would rather attend a private university or go out of state for college, for others, the option of a guaranteed transfer to a UC campus was attractive.

"At first there was great disappointment," noted Joan Catelli, a counselor at Lowell High School in San Francisco, one of the UC's top feeder schools. "But now I've seen kids who are so happy that they have gotten guaranteed transfers to the most selective of the UC campuses."

Other formerly UC-bound students are choosing to enroll at CSU campuses, some of which are feeling the crush since the 23-campus system is also slashing enrollment. By early May, faced with the goal of reducing 23,000 seats, only six CSU campuses had openings, and at least one — Sonoma State — had announced it would have to delay some already-admitted students to the spring semester.

"For the first time in almost 25 years I've been doing budgets, the Legislature openly declared, 'Don't take any more students, because we're not going to provide the funding,'" noted Patrick Lenz, CSU's assistant vice chancellor for budget development.

Because many CSU applicants had been rejected before the governor's transfer proposal was announced, the campuses were notifying previously rejected students of the option. However, only 3,800 of the guarantees were available, far fewer than the estimated number of eligible students who were rejected.

Some CSU campuses were, for the first time, unable to offer spaces to every qualified applicant. At CSU-Northridge, for example, only eligible students who live in the San Fernando Valley and designated surrounding areas were admitted outright. Students from other areas were placed on a waiting list, with priority going to students whose hometown is not served by another CSU campus and students whose high schools traditionally send students to Northridge.

No room at the inn?

But even as UC and CSU campuses were notifying tens of thousands of students about the community college diversion program, the state's community colleges were lobbying for more money to support their existing pool of students. Many of the colleges had little interest in accommodating the additional students, especially without more funding.

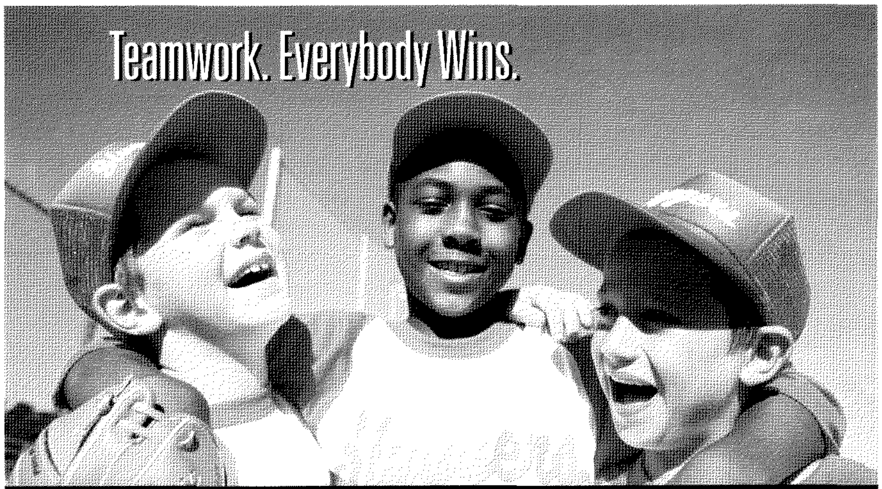
"I don't know what seats these students from the university are going to sit in," said Howard Perdue, vice chancellor for enrollment management and student services at Peralta Community College District in the East Bay, which turned away 3,000 students last year. "Unless, of course, it's the students who constitute our first mission — students who can't get into the university. The basic-skills students, the immigrants, the students who need remedial work to get into the mainstream of the educational ladder, those are still our priority. We are not reassigning resources to increase the offerings in calculus and fourth-year French."

Perdue fears that students who've been diverted from UC will out-maneuver the community colleges' traditional students when it comes to signing up for classes. Even before registration began, campuses were hearing from those students.

As for Governor Schwarzenegger's notion of offering that group free tuition, "That idea is about as popular as leprosy," Perdue said. "We're going to charge them. Who pays the bill is nothing to us — the university, the state, whatever."

If large numbers of students do take advantage of the guarantees from UC and CSU, they could displace less well-prepared students at community colleges. They could also limit the number of students who can transfer through the ordinary route, which has grown increasingly competitive. This year, the UC system received a record 667 transfer applications from California community college students, a nearly 40 percent increase in two years. The influx of diverted students could hinder the goal of expanding those existing transfer opportunities.

"I don't know how any of these institutions are going to handle this,"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> **"There is a danger that we're going to disproportionately impact [low-income students]. If we don't give these students the opportunity to attend college, then we're limiting their options and our options as a state for economic recovery."**
> **— Francisco Hernandez, UC Santa Cruz vice chancellor**

said Catelli of Lowell High.

UC Berkeley planned to absorb this year's enrollment cuts mainly through attrition. Assistant Vice Chancellor for Enrollment Richard Black said the campus anticipates that higher tuition will cause some freshmen and new graduate students to turn down offers of admission and some existing students to not return to school.

But even though those estimates allowed the campus to admit 100 more California resident freshmen than last year, the overall freshman numbers included some that Berkeley Chancellor Bob Berdahl called "flat-out unacceptable": 87 fewer African American students, 75 fewer Latino students, and 300 fewer low-income students. The campus is analyzing the reasons for those drops in a report due in July, according to education professor David Stern, who chairs a faculty admissions committee.

"It's going to be as detached and scientific as we can make it," said Stern. "It has to hold up to scrutiny that's more strict than academic research."

Others close to the campus were convinced that public accusations by Regents Chairman John J. Moores, who claimed UC Berkeley was discriminating against Asian Americans and favoring black and Latino students, may have had a chilling effort on admissions officers.

The battle with Moores foreshadows the coming struggle over how UC will revise its eligibility requirements. A California Postsecondary Education Commission study due out in late May was expected to show that more than 15 percent of the state's high school graduates are eligible to attend UC. Since the Legislature has already shown its unwillingness to pay for surplus students in the costly UC slots, the new question is how UC will further ration access if forced to return to the Master Plan goal of 12.5 percent.

However the institution resolves the eligibility dilemma, the university is clearly abandoning the language of "guaranteed" admission.

"What else in life is guaranteed?" said UC spokesman Brad Hayward, when asked whether the agreement to increase undergraduate enrollment by 5,000 would accommodate all eligible students.

One option on the table is to increase the portion of each high school's students who automatically qualify to attend UC. Currently, 4 percent of students from each high school are considered eligible, but an admissions committee was looking at increasing that proportion to as high as 9 percent, even if it entailed lowering the percentage of students who qualify on a statewide basis to 9 percent. While many students who perform well within their own high school also qualify on statewide criteria, such a change would limit opportunities for students from the state's highly competitive high schools where large percentages of students typically qualify to attend UC.

Fireworks ahead

Any change to the per-high-school percentage promised to spark fireworks, especially from families whose kids attend private schools and the state's top-performing public schools. Those families have allies among the UC regents, such as Moores, who favor more attention to students' SAT scores and are less enamored with the system's new comprehensive review policy.

But pressure from legislators, especially in the Capitol's ethnic caucuses, could strengthen the voices of those within the university who favor the equity formula. The dynamic is reminiscent of that which helped prod the university to adopt its current 4-percent formula back in 1998 to satisfy then-state Senator Teresa Hughes (D-Los Angeles), who was pushing to scrap statewide eligibility requirements and qualify all students on a per-high-school basis. This time, Senator Kevin Murray (D-Los Angeles), chair of the Black Caucus, has proposed amending the state constitution to require UC to accept the top 10 percent of students.

"To the extent that we have to cut, we have to think of new ways of apportioning that cut," said Murray. "If people from these elite private schools get accepted at a much higher rate, and we're in charge of the public schools, it is we who have done a disservice to the students at public schools. We have to make sure that the UC system is a public university and remains to serve the public and not to provide a subsidized education just for the elite."

Since the outcome of that debate will cascade down through the educational system, it is bound to spark continued controversy.

"Access to education is becoming a scarce resource," said Michael Shires, a public policy professor and higher education expert at Pepperdine University. "In the next 10 or 15 years, we need to focus our priorities for those expensive and scarce seats at the University of California. There needs to be a public dialogue if the public is paying the price."

Pamela Burdman is a freelance writer from Berkeley and a former San Francisco Chronicle *staff writer. Send comments to* **comments@californiajournal.com**

The open primary and partisan gridlock

By William T. Bagley

The new Voter Choice Open Primary initiative on the November ballot will make all November state and federal district elections relevant again. Imagine: legislative and congressional elections relevant in all districts in November! Voters re-enfranchised!

From 1911-1959, legislative elections were conducted under "cross-filing", a virtually non-partisan system where primary candidates could file in both (multiple) parties. Led by David Packard, a 1996 open primary proposal passed by 1 million votes but was declared unconstitutional by the U.S. Supreme Court on First Amendment grounds. The court, however, outlined a process that would meet constitutional muster. That is what we are proposing.

> This will help end the partisan gridlock that has paralyzed Sacramento and allowed too many of our state crises to go unanswered.

Upon adoption, the two top vote-getting candidates — regardless of party — will run in November. This is much like a local election except there will be "Registered as: Republican" or "Registered as: Democrat" or "Registered as: Green" identifying the candidate's status on the ballot. In fairly drawn legislative and congressional districts, those top two will be the usual Democrat and a Republican or possibly a Green or other party candidate. But in horribly apportioned districts where seats are vested in one party, the run-off candidates may be of the same party. This proposed system is constitutional because it does not "nominate" a party candidate but instead qualifies two candidates who run in November. Party registration status and party committee endorsements will continue, but vested seats will become but a vestige of the past.

Currently, state legislators are elected by a narrow sliver of their party's primary voters, because seats are party-vested. Under the open primary system, state legislators (and members of Congress) will be more accountable because they will represent a more broadly based constituency — all voters in their district. This will help end the partisan gridlock that has paralyzed Sacramento and allowed too many of our state crises to go unanswered. The extreme ideologue will be marginalized; even district apportionment ultimately should become fair. Voters will welcome the chance to vote against extreme partisan gridlock.

Also, most disenfranchised "decline-to-state" voters (20% or more in some districts) will have a vote in the open primary; in heavily Republican districts, thoughtful Democrats will be able to vote for a thoughtful Republican, and thoughtful Republicans in the very heavily Democratic districts can do the same. All districts will have a relevant election in November, all voters will become enfranchised again and government by rational consensus will return to California. (Presidential elections are not affected.)

More than 900,000 signatures were submitted to the Secretary of State by our bipartisan, *volunteer* civic-minded group. We raised over $2 million from both Democratic and Republican contributors concerned by a dysfunctional system which limits voter choice and does not hold office holders accountable to the electorate.

Further, since no one from the minority party in those heavily concentrated one-party districts has a chance to win, unqualified fringe candidates very often file. Rather than just a handful of contested November district elections, voters will have an actual choice in a total of 173 legislative and congressional elections throughout our state. Imagine, all incumbents will again become responsive to the November electorate.

Significantly, the Voter Choice Open Primary initiative campaign will have four active bipartisan chairs: On the Democratic side, former White House Chief of Staff Leon Panetta and State Controller Steve Westly; Republican co-chairs are Education Secretary and former Los Angeles Mayor Dick Riordan, and former Santa Clara County Senator Becky Morgan. We will raise substantial monies on a bipartisan basis.

Some party functionaries and some incumbents will oppose the Voter Choice Open Primary. They prefer primaries with predetermined results that vest their obscenely reapportioned seats. We believe the voting public understands this and will reject such opposition. After implementation, when elections become real again, voter participation will increase with the return of confidence in the voting system.

William T. Bagley is president of the Voter Choice Open Primary board. A state Assemblyman from 1961-74, he most recently served 13 years on the U.C. Board of Regents. Bagley also chaired the U.S. Commodity Futures Trading Commission, the California Transportation Commission and served on the Public Utilities Commission. He is a partner with the Nossaman law firm in San Francisco.

changes

Appointment:

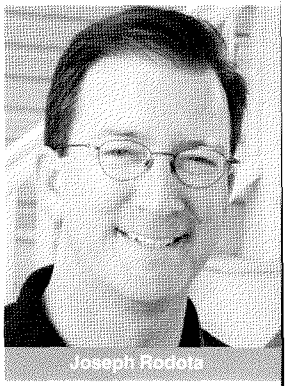
Waste not, want not

Just a month after losing her bid in the GOP's U.S. Senate primary, **Rosario Marin** got a consolation prize of sorts: an appointment by the governor to the state's Integrated Waste Management Board. The former Huntington Park mayor and U.S. Treasurer under President George W. Bush will now be responsible for overseeing state policy on trash, recycling and hazardous waste. Appointed with her was **Rosalie Mulé**, director of municipal development for Waste Management of the Inland Empire, a private trash and recyling company. While "integrated waste" may not seem like a sexy appointment, the $117,000 post has been a popular spot for the politically well-connected. Its board members include Mike Paparian, former Sierra Club director for 20 years, and Cheryl Peace, wife of former Democratic lawmaker Steve Peace. She was appointed in January 2003, shortly after her husband was tapped by then-Gov. Gray Davis to become the state's finance director. Also on the board is former Assm. Carl Washington, a Los Angeles Democrat appointed by outgoing Assembly Speaker Herb Wesson.

Rosario Marin

Administration

Among the recent roster of gubernatorial appointees: **Amy Lemisch**, a film production executive at Sony Studios and Universal Studios, was named executive director of the California Film Commission ($100,600). ... **Andrea Hoch**, former chief assistant attorney general, state Dept. of Justice's civil law division, has been named administrative director, Division of Workers' Compensation ($117,800). ... **Michael Navarro** was named director of the Dept. of Personnel Administration ($123,000). ... **Henry Renteria,** the city of Oakland's emergency services director, was named the state's Office of Emergency Services director ($108,600). ... **Ann Mary Barsotti** was appointed chief deputy director of the Stephen P. Teale Data Center ($118,200). She was in the information systems division, Dept. of Motor Vehicles. ... **B.B. Blevins** was named chief deputy director of the Dept. of Toxic Substance Control ($118,300). He was deputy secretary for business assistance/program development at the California Environmental Protection Agency. ... **John D. Dovey**, former warden of the California Institution for Women state prison in Corona, has been appointed chief deputy director of field operations, Dept. of Corrections ($118,300). ... **Rita Hamilton**, procurement director for Santa Clara County, was named procurement officer for the Dept. of General Services ($112,800). ... **Robert Peter Martinez**, assistant communications director for the Dept. of Corrections, has been appointed as chief assistant general manager for the Prison Industry Authority ($96,800). ... **Brett H. Morgan** was appointed chief deputy inspector general of the Office of the Inspector General ($117,000). He previously served as a deputy state attorney general in the Criminal Division of the Appeals, Writs and Trial unit. ... Appointed to the Community College Board of Governors are: **Katherine Albiani**, president of the Los Rios Community College Board of Directors; **Benita Haley**, an education consultant; **Lance Izumi**, education studies director, Pacific Research Institute for Public Policy; and **Pauline Larwood**, Kern Community College Board of Trustees. ... **Joseph Rodota**, former chief of staff to then-Gov. Pete Wilson and deputy director to former President Ronald Reagan, has been appointed to the Milton Marks Commission on California State Government Organization and Economy. He is CEO of Forward Observer, Inc., a public policy and business strategy consulting firm. Joining him on the commission is **Eugene Mitchell**, public policy/communications vice president for the San Diego Regional Chamber of Commerce. Both posts are unpaid.

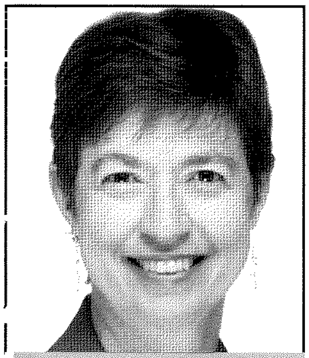

Joseph Rodota

Legislature

Stepping up to head the state Senate's GOP Caucus is **Dick Ackerman** (R-Irvine), who fills the shoes of termed-out **Sen. Jim Brulte** (R-Rancho Cucamonga), who announced his intention to run for state Board of Equalization in 2006. Ackerman named **Dan Chick** as caucus chief of staff and **Sheron Violini** as deputy. Also on board are fiscal director **Jeff Bell**, policy director **Mike Pettengill**, communications director **Matt Ross** and press secretary **Tom Collins**. ... The bipartisan Legislative Rural Caucus, representing 41 Senate and Assembly members, has hired a rural policy analyst, **Peggy Wheeler,** former program director at the University of Arizona's Rural Health Office. ... Former state Assm. **Lynne Leach**, a Walnut Creek legislator termed out in 2002, recently earned a California Chamber of Commerce "Small Business Advocate of the Year" award. Leach owns her own motivational speaking company, Lynne Leach Presents.

Other

Ann Marie Tallman, an attorney and the granddaughter of migrant workers, has been named president and general counsel of MALDEF (Mexican American Legal Defense and Educational Fund), the Los Angeles-based group that supports civil rights of Latinos. Most recently, Tallman was western regional director of Fannie Mae, the giant mortgage lending company, based in California. ... **Marye Anne Fox**, chancellor at Northern Carolina State University, becomes the new chancellor at UC San Diego ($350,000), succeeding Robert Dynes, who moved up to the post of UC president. ... The California Chamber of Commerce has hired **Bruce Magnani** and **Erika Frank** as legislative advocates. Magnani, former govt. relations specialist with the Dept. of General Services, will focus on environmental issues. Frank, an attorney and former legislative director to GOP Assm. Tony Strickland, will focus on civil liberties and tort reform. She also serves as the chamber's general counsel. ... Lobbyist **Donna Brownsey**, former owner of lobbying firm Government Solutions, has joined forces with **Barry Brokaw**, owner of Sacramento Advocates, Inc. The pair were both Capitol staffers before launching their respective lobbying firms in 1993. ... **Jennifer Sweeney**, former news producer for KCRA/KQCA in Sacramento, has joined Halldin Public Relations as a senior associate. ... **Tim Rosales**, chief of staff to Assm. Ken Maddox (R-Dana Point), is the new marketing director at Paramount Communications, a Monterey County political consulting/public relations agency opening its first shop in Sacramento. ... **Marko Mlikotin**, former chief of staff to Rep. Doug Ose and deputy political director to Gov. Arnold Schwarzenegger during the 2003 recall, has opened River City Communications, a public affairs and governmental relations firm serving clients in Sacramento and Washington, D.C. ... Beefing up their Capitol news bureaus are the *Los Angeles Times*, which added reporter **Jordan Rau**, former capitol bureau chief for *Newsday* in New York; and the *San Francisco Chronicle*, which brought in staff writer **John Hubbell**, former editor/reporter on the Chron's national desk in San Francisco.


Marye Anne Fox

Appointment:

Peaceful landings

Steve Peace

He's a man on a mission. Out of a job after Gov. Gray Davis was dumped in last October's recall, Steve Peace — former state finance director, former state senator and assemblyman, and one-time movie producer (let's hear it for "Attack of the Killer Tomatoes") — has found a new calling. The San Diego lawmaker is founder/director of California Today, which offers bipartisan research/analysis of public policy. Although Peace was widely known as the "father of deregulation," his bio on California Today's Web site omits any reference to the energy debacle of 2001.

Among the issues it lists as priorities: personal identity protection, Indian gaming taxation and regulation of so-called "Super Stores." One of his current crusades is getting rid of — or at least modifying — the federal "alternative minimum tax" or AMT, which was enacted more than 30 years ago to ensure that the wealthy didn't avoid taxes. Instead, Peace calls it "a creeping crud" that has pushed many middle-income Californians into higher tax brackets. He intends to lobby the governor, legislators and California's congressional delegation to change the tax. And if that doesn't work, maybe he could attack it with tomatoes.

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*These pages are prepared with substantial help from **"The Capitol Morning Report,"** a comprehensive daily e-mail and fax listing of events, appointments, staff changes, lobbyist registrations and fund raisers in and around Sacramento. For more information, call (916) 443-5883.*

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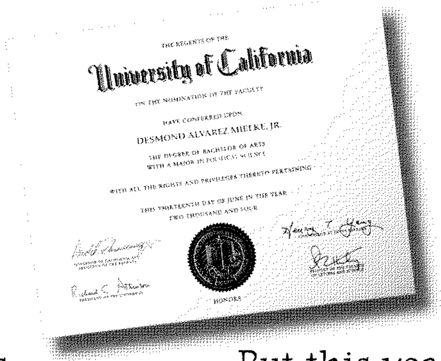
For two generations, it's been equipping young Californians to compete, spinning off new industries, and advancing the art of medical care.

Perhaps most important, by putting college within reach of every family, the Master Plan has also been a powerful force for upward mobility.

But now, for the first time in forty years, a California Governor has broken the promise others kept for us – wasting the promise of the next generation.

How many politicians does it take to unscrew a light bulb?

It's bad enough that while K-12, health, and prison spending have all stayed ahead of population growth, higher education has been allowed to fall 50% behind.



THE REGENTS OF THE
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HAVE CONFERRED UPON
DESMOND ALVAREZ MIELKE, JR.
THE DEGREE OF BACHELOR OF ARTS
WITH A MAJOR IN POLITICAL SCIENCE
WITH ALL THE RIGHTS AND PRIVILEGES THERETO PERTAINING
THIS THIRTEENTH DAY OF JUNE IN THE YEAR
TWO THOUSAND AND FOUR
Richard C. Atkinson
HONORS

Just what California needs to compete on a global scale: *fewer* college grads. What is Sacramento thinking?

But this year's cutbacks are without precedent – a public policy failure as costly and unnecessary as the utility deregulation fiasco. In the end, slashing higher education dims the hopes of every Californian for a sustainable recovery.

Reversing decades of social and economic progress...for what?

The Master Plan was designed to reward hard work and personal initiative, giving students a way up. Now it's jammed into reverse, pushing them down and out.

Example? For every student qualified to attend a four-year school who is being shoved down the ladder into a two-year college, a community college student is knocked out of higher education entirely.

There are 35 million reasons to

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For the first time in history, Cal State campuses and the University of California have turned away more than 26,000 students. Community Colleges have been forced to bar 175,000 more.

That means fewer college grads, fewer jobs with a future.

Others kept the promise for us.
Do we break it for our own kids?

Past graduates will also be harmed. With the system's national reputation at risk, California's college degrees lose respect. That depresses lifetime earning power. And the state's growth is stymied when underrepresented groups once again take the brunt of education cuts.

That's why, through good times and bad, four California Governors (two Democrat, two Republican) have done what it took to keep California's promise of fair access, real affordability, world-class quality, and life-changing opportunity.

Will this Governor?

College. The public service Californians value most.

Millions of families work, save, and sacrifice for our system of public colleges and universities, California's best hope for a prosperous and equitable future.

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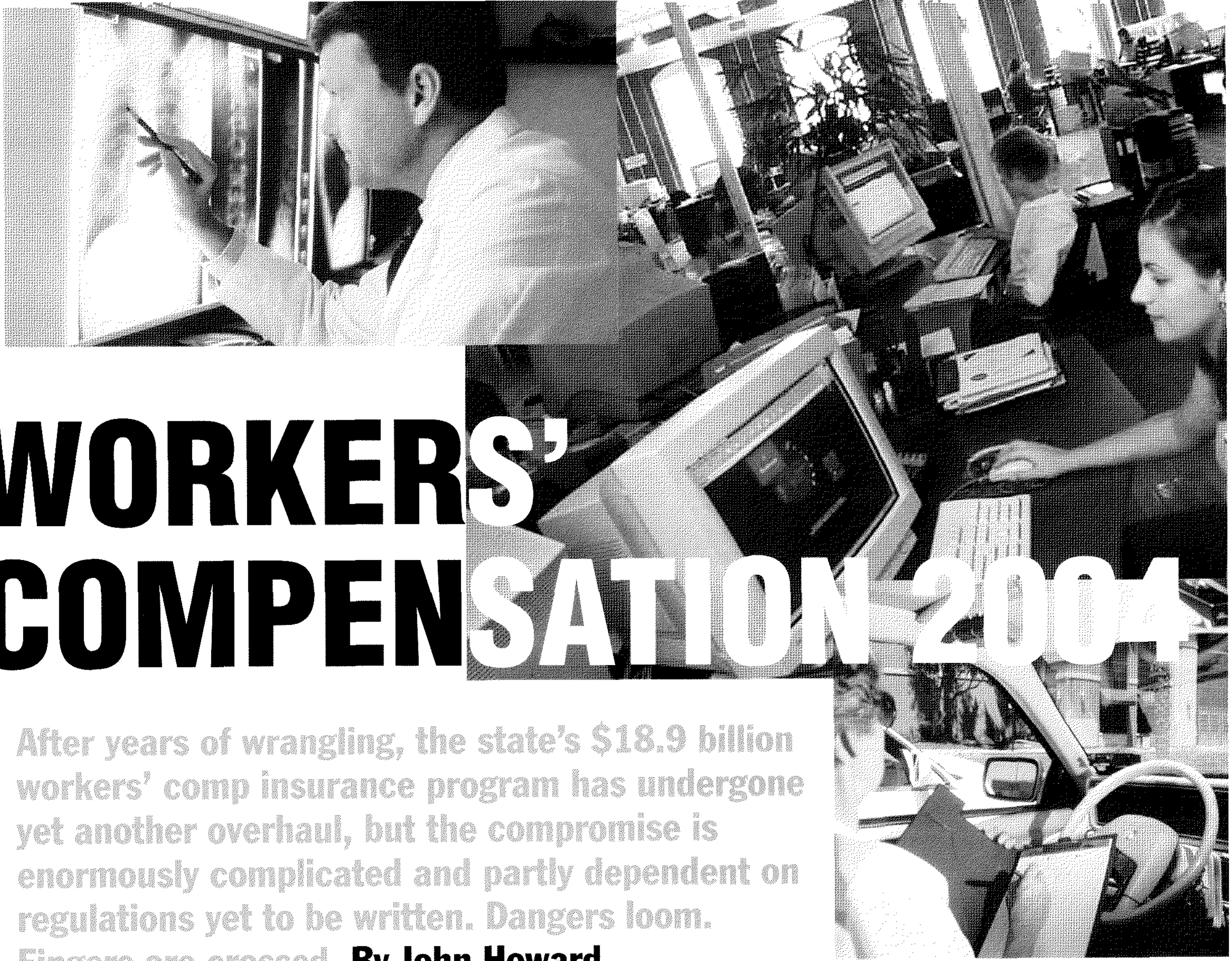


WORKERS' COMPENSATION 2004

After years of wrangling, the state's $18.9 billion workers' comp insurance program has undergone yet another overhaul, but the compromise is enormously complicated and partly dependent on regulations yet to be written. Dangers loom. Fingers are crossed. **By John Howard**

The frayed, 91-year-old compact between California workers and their employers that governs on-the-job injuries has been rewritten — yet again. Spurred on by Governor Arnold Schwarzenegger, supporters of this latest change to the $18.9 billion workers' compensation insurance program are trumpeting the new legislation as "reform" without the quotation marks.

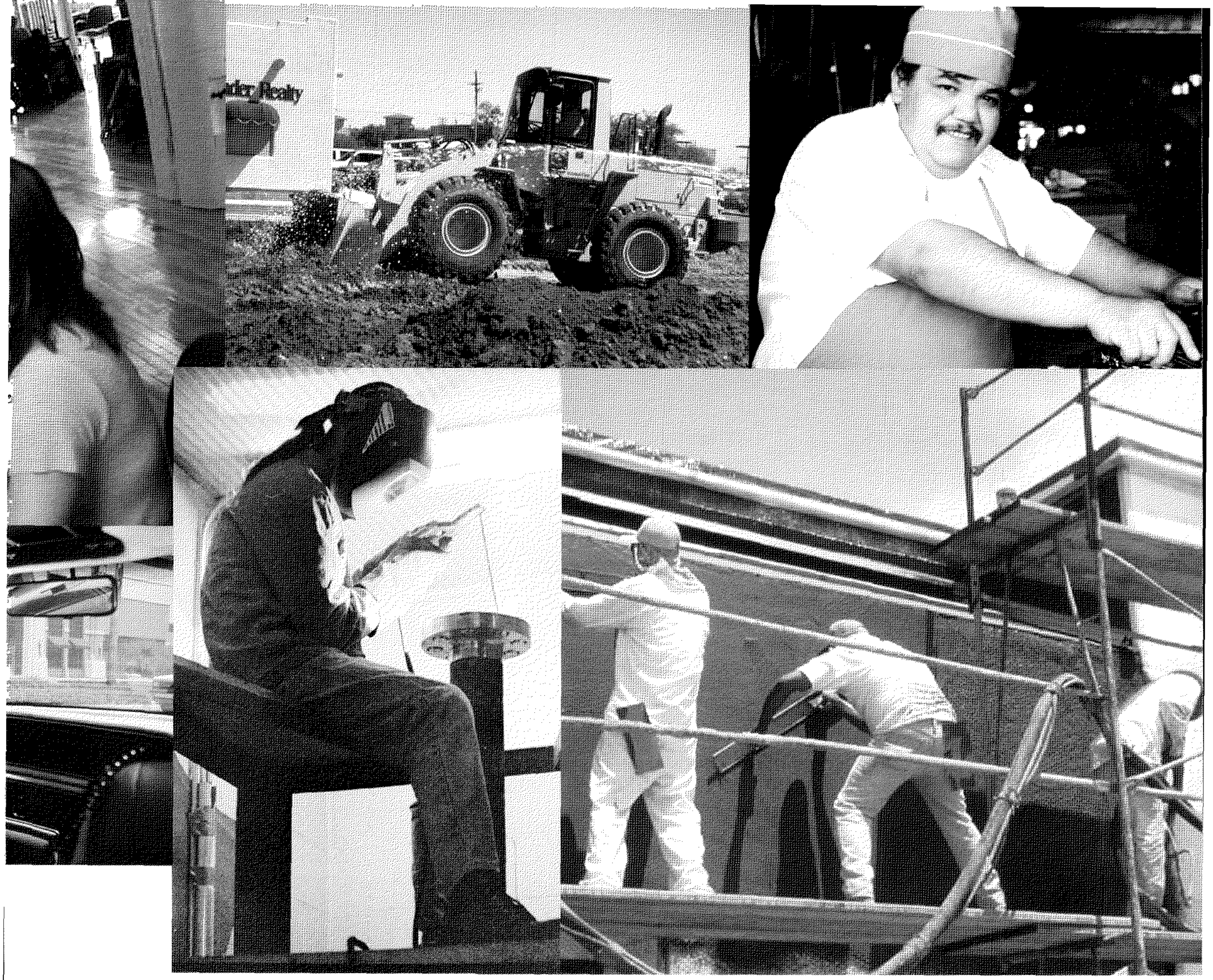
But dangers loom. And if past is prologue, this bill may prompt dysfunction similar to California's two other sweeping reforms — electricity in 1996 and the workers' compensation insurance overhaul of 1993-95. In both cases, what looked good on paper proved flawed in practice. In both cases, the legislation made mistaken assumptions about market behavior. And in both cases, savings were miscalculated and some lawmakers said privately they hadn't even read the legislation.

Will the 2004 bill, enormously complicated and partly dependent on regulations yet to be written, prove any different? Fingers are crossed.

"Everybody who participated in it has reasons to applaud the bill and reservations as to what could be the potential downsides. But given the imperfections of democracy, it is a darn good piece of public policy," said Steve Thompson, vice president of the California Medical Association.

In the end, the workers compensation insurance system is an arena of struggling interests — the insurers who want the most for their product, the employers who want the most for their money, the attorneys who represent injured workers and the doctors who provide treatment.

"No one is absolutely sure about a reform of this magnitude that involves so many competing interests. But when we look back on this reform in the not-too-distant future, I am quite hopeful that there will be very broad recognition that what was done was of considerable benefit not only to the people who pay the bills, but to the workers, too," said Senator Charles Poochigian (R-Fresno), author of the legislation signed into law last month by Schwarzenegger.



Poochigian's SB 899 targets the system that California created in 1913 to protect workers who are hurt on the job. It is a "no-fault" agreement, meaning that an injured worker is treated and compensated, regardless of who is to blame for the injury. In return, the employer generally is shielded from litigation.

Today, some 15 million workers are covered by the program. About 800,000 job-related injuries are reported each year. Of those, about two-thirds are minor, requiring minimal medical care. The remaining third are officially defined as "disabling," which means an employee is unable to work for one or more days. In a robust economy with high employment, the numbers of disabling injuries increase: In the 1988-90 boom, there were more than 430,000 a year. In recessionary 2001, there were 260,000.

The highest injury rates per 100 workers are in construction, transportation and public utilities. About 40 percent of all disabling injuries involve sprains and strains. The back is the most frequently injured body part. California companies on the average pay about $6.30 per $100 of payroll to buy coverage, more than double the national average. The rate is determined separately, according to risks calculated for hundreds of job categories.

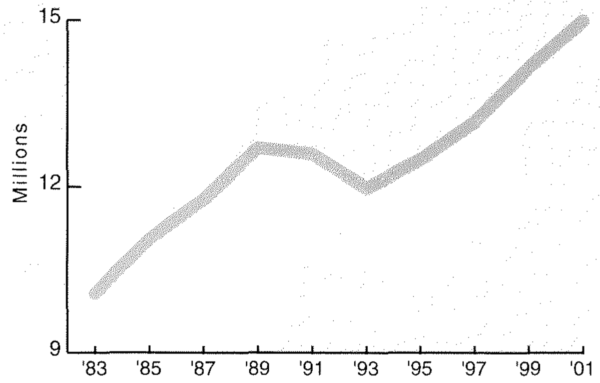
The new law

Injuries are compensated according to the level of disability, whether it is temporary or permanent, partial or total. For example, a temporary total disability payment — limited to two years under the new legislation, down from five years — is two-thirds of the worker's average weekly pay, or a maximum of $728 for injuries occurring this year, and $840 in 2005. For a worker suffering permanent total disability, the payments would continue throughout his or her life.

Most California employers buy insurance, either from a private company or from a state fund, to compensate

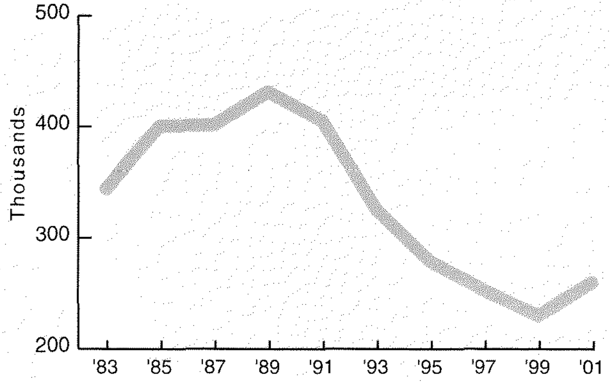
Who Gets Covered

Under workers' compensation law, nearly everyone in California is a covered employee if he/she works for someone else and is paid by wages, commission, piece rate or otherwise. As CA's economy expands or shrinks, so does its covered workforce.



Disabling Work Injuries

Historically the number of disabling injuries has been affected by economic activity. With more people working, there are more injuries. From 1994 to 2000, the number of workplace injuries continued to decline even though the economy was growing. The reasons include shifts in employment, greater emphasis on workplace safety, efforts to combat workers' comp fraud and changes in employer reporting. Since 2000, workplace injuries have increased.



Source: California Workers Compensation Institute

HIGHLIGHTS:

- By next year, companies and insurers will set up a medical network from which the injured worker will select a physician for treatment.
- Employers will pay for treatment within 24 hours of an injury up to $10,000 worth, regardless of whether it is job-related. If job-related, there is no limit.
- Payment schedules will be rewritten to favor the most seriously injured workers.

injured workers; about 500 of the largest California companies are self-insured. But self-insured or not, the provisions of the new law apply.

A review of the 89 pages of SB 899, which was launched primarily to reduce employers' insurance costs, shows that the bill:

- Contains no limits on how much insurance companies can charge employers for job-injury coverage. Thus, the bill does not deal with the underlying instability that experts say has roiled the market place since the 1990s, in which rates plunged as insurance carriers battled for market share, then zoomed upward as the companies that survived the bloodletting charged what the market could bear.

More than anything else, it was this upward spiral that prompted demands for reform from employers, but the bill does not directly address the issue. Despite that, employers — especially the large, self-insured companies that would not face insurers' potential rate hikes — are among the strongest supporters of SB 899.

Savings envisioned by the legislation would be realized directly by the self-insured companies. Smaller companies that purchase coverage would experience savings indirectly — when passed on by their insurers.

- Attempts to reduce costs by changing the way medical treatment is dispensed. It requires objective medical standards to evaluate injuries, curtails the role of lawyers representing injured workers, limits the amount of time that some benefits are paid out, cuts worker retraining expenses and limits the role of independent physicians' diagnoses. It is the core of the legislation.

Previously, a worker was treated by a company doctor for the first 30 days, then had the option to go to a physician of his or her choosing for treatment. The new law removes the 30-day benchmark. It requires the worker's treatment to be determined by doctors from a panel established by the company and insurer, thus limiting the role of independent physicians. Workers unhappy with a doctor can pick another one, and a third from within the company-selected network. If, after three tries, the injured worker is not satisfied, a review panel will decide whether to approve outside care. (The three-doctor provision was personally demanded by Schwarzenegger and stemmed from the treatment he received for a shoulder injury he once suffered, according to one Capitol insider.)

This system also limits the involvement of lawyers — the roughly 1,000 lawyers in California known as applicant attorneys — who represent injured workers and receive 9 to 15 percent of their client's benefit as payment in disputed cases. Under previous law, those attorneys could be involved in recommending doctors, exams and treatment that insurers say needlessly boosted the cost of coverage. Estimates of savings vary. Insurers predict savings of $1 billion to $3 billion, much of that directly from the pockets of the applicant attorneys. The Workers' Compensation Insurance Rating Bureau, an insurance industry-financed research agency, estimated on May 11 that the new legislation could save $3 billion annually.

"Applicant attorneys should be looking for another job," said J Dale Debber, an industry expert who publishes the *Work Comp Executive* newsletter.

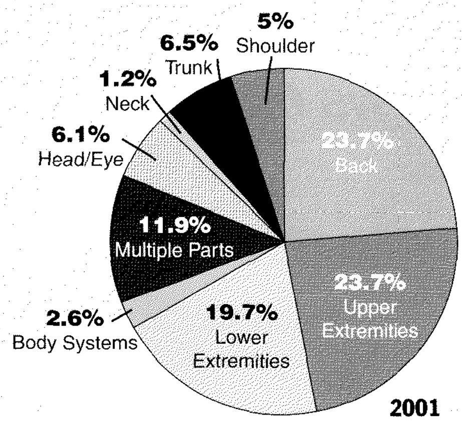
The lawyers' viewpoint

The attorneys respond in kind.

"Will it hinder lawyers in representing more workers?

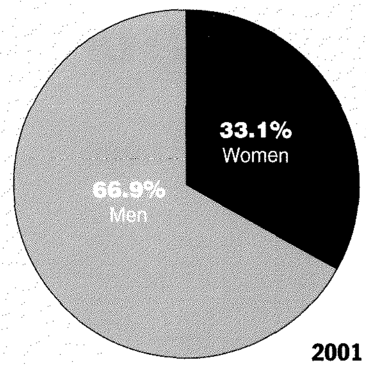
Where It Hurts

Injuries to the back account for nearly one quarter of all injuries — an incidence persistent over the decades.



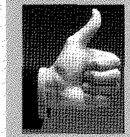
Injuries by Gender

The proportion of females with injuries has risen over the last 30 years as the number of females in the workforce has grown. In some work sectors such as local government, 48% of those injured were women.



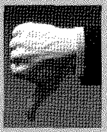
WINNERS/LOSERS
in WORKERS' COMP

BIG WINNER:



The carriers selling workers' compensation insurance. Their rates are not regulated. The role of lawyers, cited by insurers as the major obstacle to reforming the workers' compensation insurance system, has been diminished.

BIG LOSER:



The lawyers known as applicant attorneys, who represent injured workers in disputed claims.

Yes. But it is the workers who are hurt. To hurt the lawyers, they [businesses and insurers] had to go through the workers," said Art Azevedo, president of the California Applicant Attorneys Association.

"The insurers not only won, they went out like kings. No regulation and specific savings ... they are [celebrating] quietly with glee and laughter in their board room, because this means profits, increased profits," Azevedo added.

The bill requires an independent study — financed by up to $1 million from insurers — to determine whether the new system works properly. If the study unearths problems in the law, lawmakers and the governor are required to come up with ways to fix it. There are no penalties if they fail.

The new law requires an employer — or the employer's insurer — to begin picking up the tab for a worker's injury within 24 hours, up to $10,000 worth of treatment, regardless of whether it is clear that the injury is job-related. If the injury is work-related, there is no limit on the amount for treatment.

Current law says that the initial doctor's diagnosis, crucial to determining the validity and severity of a worker's injury, is presumed to be correct and requires a preponderance of evidence decided by a court to overturn it. The new law repeals this provision, known as a "rebuttable presumption," to limit attorneys' legal ammunition.

The new law largely phases out the vocational rehabilitation system, in which a worker received up to $16,000 worth of job retraining. Instead, an injured worker may qualify for up to $10,000 for a "job replacement voucher" covering the cost of education and retraining. To qualify, workers must be permanently disabled and without an offer of modified or alternative work from their employer.

In the end, Poochigian's bill is a gamble that he and supporters of the bill contend is well worth the risk, given the soaring insurance costs and more than two dozen carriers going belly up since 1995.

"We believe competitive market forces are the best mechanism for insurance," said Keith Bateman, an expert on workers' compensation insurance for the Alliance of American Insurers.

But one lawmaker, an attorney who opposed Poochigian's bill, remains skeptical.

"We deregulated them [insurers] in 1994, they engaged in predatory practices struggling for market share over each other, and once they whittled themselves down to a handful of the largest carriers, the premiums skyrocketed 100 to 200 percent over just a few years," said Senator Joe Dunn (D-Santa Ana). "In two years, we'll be right back here debating 'reform,'" he added.

John Howard is senior editor of California Journal. *Send comments to* **comments@californiajournal.com**

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THE GREAT COMP

OVERHAUL OR PITFALL: OPPOSING VIEWS ON THE OUTCOME

By Tom Rankin, California Federation of Labor

> Between the idea
> And the reality
> Between the motion
> And the Act
> Falls the Shadow ...
> This is the way the world ends
> *Not with a bang but a whimper.*
>
> — *T.S. Elliot*
> *"The Hollow Men"*

Between the promise of reduced premiums and the reality of reduced costs for employers fall two shadows: the avarice of the private insurance industry and the competence of the State Division of Workers' Compensation.

Surely, many of the provisions of SB 899 carry with them the potential for great savings to employers. Some provide preliminary estimates of several billion dollars a year. But so did provisions of other recently enacted workers' com legislation: AB 749, AB 227 and SB 228. Last year, Insurance Commissioner John Garamendi recommended insurance rate cuts of 14.9 percent based on the SB 227 and SB 228 reforms.

The insurance companies' response to his advice was to cut premiums by a paltry 3.6 percent in January. Some insurers actually increased premiums.

No rate regulation

The lesson to be learned seems obvious. But despite the concerted efforts of California's unions, insurance reform was not a part of the deal which resulted in SB 899. Now, without the legal tools needed to mandate rate reductions, the insurance commissioner's advice is likely to fall on deaf ears once again. From the viewpoint of cutting costs to employers, especially to small employers who are unable to self-insure, the failure to regulate insurance rates was the biggest shortcoming of SB 899.

Tom Rankin, Calif. Federation of Labor

Other reforms missing

In addition to rate regulation, several other insurance-related reforms were missing from the bill:

- A measure to reduce the overall rate on employer-paid assessments to the California Insurance Guarantee Association from 2 percent of premium to 1.3 percent of premium by assessing large employers who have been avoiding assessments on $6 billion of premium by purchasing high deductible policies;
- A measure to regulate broker's fees, which would have saved hundreds of millions of dollars; and
- A measure to eliminate a recently enacted insurance industry-backed investment requirement designed to hamstring the State Compensation Insurance Fund. Repeal would have allowed bigger premium reductions by the State Fund.

Continued on p. 37

ROMISE OF 2004

OF CALIFORNIA'S WORKERS' COMPENSATION AGREEMENT

By Andrew Gloger and Lawrence McQuillan, Pacific Research Institute

Former University of Texas football coach Darrell Royal observed, "Potential just means you ain't done it yet." Such is the case with the agreement to reform California's workers' compensation system, embodied in SB 899. It holds great promise for employees and employers, but its administration is crucial. Fortunately, Governor Arnold Schwarzenegger understands this.

If strictly interpreted by administrators and appeals judges, injured workers will receive better care and businesses will receive substantial relief from skyrocketing insurance premiums. Together with earlier reforms, SB 228 and AB 227, fairness, consistency and objectivity would be returned to the state's troubled 91-year-old, $17.9-billion workers' compensation system. Many of the key changes, however, hinge on the interpretation of a specific word or phrase and the enforcement of the rules.

It is no coincidence that 10 days after the bill's passage, Schwarzenegger appointed a new administrative director (AD) of the Division of Workers' Compensation, replacing Davis appointee Richard Gannon. In a statement lauding the appointment of Andrea Hoch, Schwarzenegger said, "I have every confidence that Andrea will ensure the reforms ... will be implemented swiftly and properly." He should hope so because the potential savings, estimated at $4-6 billion, depend on it. Consider the key reforms and potential trouble spots.

Reducing medical costs

Last year's bill, SB 228, requires the AD to establish a medical treatment utilization schedule to reduce medical costs. This schedule guides physicians, limiting inappropriate treatment, and guides judges in the evaluation of medical/legal issues. The AD must approve a schedule by December 1, 2004. Until then, the American College of Occupational and Environmental Medicine (ACOEM) guidelines constitute the presumptively correct standard.

SB 899 mandates that the schedule the AD approves reflect "practices that are evidence- and scientifically-based, nationally recognized, and peer-reviewed." This requirement leaves room for interpretation. We hope the AD will adopt the ACOEM guidelines, creating more consistent and objective treatment for injured workers.

Another medical reform where the AD will have discretion is the establishment of medical-provider networks for treatment of injured employees, which will reduce costly and litigious "doctor shopping." Employees will now choose a provider from a pool of qualified physicians selected by their employer and approved by the AD.

Employees are guaranteed immediate medical care, an important reform that will improve California's abysmal return-to-work rate. If an employee is dissatisfied with the quality of care after three opinions from within the network, he or she can request an independent medical review from a physician. These physicians are contracted by the AD to work as reviewers. Will reviewers be truly

Continued on next page

Andrew Gloger, Pacific Research Institute

Lawrence McQuillan, Pacific Research Institute

independent? A lot depends on AD oversight.

Disability

SB 899 requires permanent disability impairment ratings based on American Medical Association guidelines. These nationally recognized, scientifically based guidelines will bring consistency to determinations of permanent disability. No longer will similarly injured workers receive radically different disability awards.

If strictly interpreted by all parties, these reforms will bring substantial rate relief to employers, improve care for truly injured employees, and help revitalize California's slumping job market.
— Andrew Gloger and Lawrence McQuillan

When determining percentages of permanent disability, physicians must now "apportion" the injury, meaning employers will only pay for the injury they caused, or a portion thereof. Also, as originally intended 91 years ago, only work-related injuries will be compensated under the new system.

Previously, if an employer caused, contributed to, or aggravated a condition, the employer paid the full disability and medical treatment. Now, the treating physician must determine "what approximate percentage of the permanent disability was caused by the direct result of injury arising out of and occurring in the course of employment."

This is a huge, positive change, yet ripe for interpretation. If an employee works 30 years and is exposed to asbestos during that time from multiple employers, how does one accurately determine the disability percentage caused by each employer? Physicians are now charged with this difficult, but important, task. The bill also makes two other important disability changes. First, it limits temporary disability to two years. This will cut abuse by unscrupulous workers and encourage them to return to work. Second, the bill adjusts the benefit schedule to better indemnify seriously injured workers by reducing indemnity benefits to the least injured. A positive consequence of this reform is that it will reduce incentives for workers to falsely claim minor injuries to receive substantial compensation.

SB 899 establishes a two-tier permanent disability schedule that increases benefits 15 percent if a comparable job is not offered by the employer within 60 days of the disability becoming "permanent and stationary." It decreases benefits 15 percent if a comparable job is offered. This two-tier approach encourages employers to rehire and encourages employees to accept re-employment offers. Today, about 14 percent of employees who receive permanent disability benefits remain off the job after three years.

Penalties

Before SB 899 was enacted, if an employee's total claim was $5 million, for example, and the insurer was late reimbursing a $100 prescription-drug bill, the insurer could be fined 10 percent of the total claim, not simply the late bill, meaning they could be fined $500,000 for a $100 late payment, even though the employee received his/her medication. It sounds far-fetched, but this actually happened to Safeway. Irrational fines for tardy payments discouraged insurers from properly investigating questionable claims, which drove up system costs.

Under SB 899, if a late payment is self-reported, the insurer pays a 10 percent penalty on the specific late amount. If not self-reported, the penalty is 25 percent of the late amount. The new system is rational and allows for the proper investigation of questionable claims, vital for cost containment.

Let's not go through this again

California should establish a system that keeps it from descending into workers' compensation hell again. The key is to include at the table the only parties the system was designed to help: employees and employers. All others are not true stakeholders. California should adopt a modified Oregon model. Future legislative changes to workers' comp should originate inside a labor-management committee consisting of five labor and five management representatives appointed by the governor. All proposals for change would have to be unanimously approved by the committee, and the state Legislature would vote thumbs up or down without amendment. This process would rightly exclude non-stakeholders and put the focus where it belongs.

The Workers' Compensation Insurance Rating Bureau has estimated it could take five years to determine the true impact of the legislation. The Bureau expressed concerns about how the legislation will be implemented, how regulations will be promulgated by the AD, and how legal challenges will play out. These concerns are valid, but there is room for cautious optimism.

If strictly interpreted by all parties, these reforms will bring substantial rate relief to employers, improve care for truly injured employees, and help revitalize California's slumping job market. These reforms will bring more insurers to California, providing needed competition, and driving rates down. Competition works, contrary to the belief of Assembly Speaker Fabian Nunez, who admittedly "does not trust market forces." Price controls will only drive insurers away.

California is already seeing benefits from the workers' compensation reforms, but it will take proper administration to realize full potential. All eyes will be on Ms. Hoch.

Lawrence J. McQuillan, Ph.D., is director of Business and Economic Studies. Andrew M. Gloger is a public policy fellow at the San Francisco-based Pacific Research Institute for Public Policy. They may be contacted at LMcQuillan@pacificresearch.org. *Send mail to* **comments@californiajournal.com**

CFL's critique from p. 34

Moreover, the insurers succeeded in repealing a law enacted just last year which would have allowed an injured worker to sue an insurer with a pattern of late benefit payments in the event the Department of Industrial Relations failed to do so.

Whether the Republicans were blinded by insurance industry contributions or by ideology remains an open question. Some believe the rates will drop without a mandate simply on the basis of the political threat of re-regulation if they don't. (Remember the temporary decline in health insurance premiums after the failure of the Clinton health legislation.)

Hopefully, the Democrats are unwilling to take this risk and will send rate regulation legislation to the governor in the near future. His campaign promises of freedom from campaign contribution influence and his pragmatism will then be put to the test. Should he veto the bill and should rates fail to fall — or fall briefly only to skyrocket again in the next few years — the responsibility will be his.

Implementation is key

The governor's responsibility for achieving the potential savings from SB 899 also lies in the area of implementation. The two biggest cost-saving reforms in the bill involve a major revision of the permanent disability rating system and the establishment of medical networks for the treatment of injured workers. Both depend upon the ability of the governor to put into place complicated new regulatory systems.

At least he will have at his disposal the funds to do so, thanks to a provision in the bill ending the dependence of the Division of Workers' Compensation on the General Fund by furnishing it entirely from "user (employer) fees."

The Division's ability to implement previous legislation was severely hampered by budget cuts under the Governor Gray Davis administration and by Davis' unintended cancellation of the user funding provision contained in last year's reform legislation. Another crucial reform for which the Schwarzenegger administration will be held accountable is the modernization of the workers' compensation judicial system.

Implementation of a Rand Institute report on the overhaul of the judicial system never really got started under Governor Davis. In fact, Davis never got around to appointing a new court administrator created by a 2002 reform bill.

Delays and inefficiencies in the workers' compensation courts prove extremely costly to both injured workers and employers and create a general atmosphere of malaise. We await the new governor's appointment.

Mixed results for injured workers

While the issue of savings to employers, especially to insured employers, remains relatively ambiguous, the effects of the bill on injured workers are clearer. Some are good, some are bad. Some are unknown.

California's unions have long recognized the need for structural reforms in the workers' compensation system. To that end, early this year, we developed a reform proposal based on the empirical studies conducted by the

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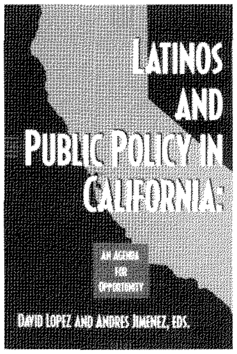
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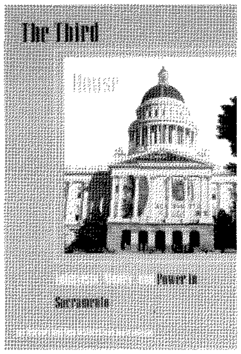

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> **We have only one objective: to make sure that injured workers get the medical treatment and the benefits they need to remain independent and productive members of our society.**
>
> **— Tom Rankin**

labor/management Commission on Health and Safety and Workers' Compensation. We engaged in a series of meetings with employer organizations for a period of about 45 days in an effort to negotiate a reasonable reform package which would benefit both injured workers and employers. Unfortunately, the negotiations broke off in late March when the governor and the legislative leadership began serious talks.

The positive aspects of the new law reflect some of our reform proposals:

- Employer provision of immediate medical treatment (the present system allows up to 90 days for employers to make up their minds before providing medical care);
- Return-to-work incentives (California has one of the worst return-to-work rates in the country);
- Increased permanent disability benefits for the most severely injured workers;
- Authority for labor/management to create programs to provide a seamless system of medical treatment and temporary disability benefits;
- Immunity from liability for those reporting workers' compensation fraud; and
- Adequate funding of the workers' compensation administrative system through user fees.

Throughout the process, we fought hard to preserve medical choice for the injured worker.

We succeeded in maintaining the right of injured workers (whose employers cover them with group health insurance) to pre-designate their personal doctor for purposes of workers' compensation medical care. That was an important victory for injured workers.

We are also pleased that the new law grants workers the right to escape the new medical network system if they're getting inadequate care. Unfortunately, many of our most important proposals — including the insurance industry reforms mentioned above — did not make their way into the bill.

In the category of "bad news" for injured workers:

- Slightly reduced permanent disability benefits for less severely injured workers;
- Apportionment of permanent disability awards to non-work-related causes which will result in an increase in litigation costs, as well as a decrease in benefits for some injured workers suffering from cumulative injuries;
- A cap on temporary disability benefits of two years with exceptions for certain classes of injuries which retain the five-year cap. This will result in lower benefits for some injured workers, particularly if the judicial system is not sped up.

In the "unknown effect" category lie the revision of the permanent disability rating schedule and the implementation of the new medical treatment network system. If the new rating schedule adequately reflects the future earnings losses of injured workers and better distributes the benefits to those who will suffer the greatest losses, it could be beneficial. If it is designed to keep those suffering legitimate work injuries from getting any permanent disability benefits, it will be detrimental. If the new medical treatment networks are designed to assure timely, quality medical care, they could be beneficial. If they end up being another version of the discredited "workers' compensation medical mill," they will be detrimental.

Bang or whimper?

Will the 2004 episode of workers' compensation reform end with a bang of real savings for California's employers? Or with a whimper of false promise?

At least we have avoided the November ballot initiative. It would have blocked the entry of thousands of injured workers into the system. If they did get in, they wouldn't get the medical treatment and the benefits they needed. Worst of all, the initiative could only be changed by another initiative.

As it is, California's unions can keep up the legislative fight for injured workers. Everybody else has a financial interest in the process, but we have only one objective: to make sure that injured workers get the medical treatment and the benefits they need to remain independent and productive members of our society.

We will continue the fight.

Tom Rankin is president of the California Labor Federation, AFL-CIO. Send mail to **comments@californiajournal.com**

SON OF WORKERS' COMP

For new homebuilders, sky-high insurance premiums are pounding holes in their business. Can lawmakers provide relief?

They're the professional trades people who hammer nails, install windows, finish floors. When it comes to California's ever-sprouting crop of new housing, they're the ones who get it built. Increasingly, they're getting hammered. Whether it's a sheet rocker, a plumber or a carpenter, California's subcontractors are staring at back-breaking liability insurance to cover a rise in construction defect lawsuits.

Much like California's workers' compensation insurance that caused sky-high premiums among small business employers, liability insurance for trades people who build California's housing stock has gone up faster than a new suburb. In Sacramento, some contractors have seen their construction defect insurance premiums jump 600 percent, from $200,000 in 2001 to $1.2 million last year.

According to some news reports, the jump in insurance rates has added as much as $12,500 to the price of a new 2,500-square-foot home. Homes, already expensive, are becoming increasingly unaffordable.

As a result, the California Professional Association of Specialty Contractors (CalPASC) has hired a lobbying firm and is rallying its members statewide to seek help from the Legislature.

Part of the problem is the way that construction defect lawsuits are handled. Typically, when a homebuilder of a large, residential housing project is sued, every subcontractor, from the tile setter to the sheet rocker, is named in the lawsuit, regardless of whether they caused the problem. According to CalPASC, that leads to a tangled net of insurance companies and attorneys defending the various parties. Frequently, insurance companies settle rather than fight a cumbersome lawsuit.

The result is that many insurance companies have bailed out of the market. Five years ago, there were 20 to 30 companies offering construction defect insurance; today, there are only four. The result: decreased coverage and soaring premiums.

Under current state law, homebuilders are liable for construction defects discovered within the first 10 years after a house is built. In 2002, the Legislature passed SB 800 by state Senate President pro Tem John Burton (D-San Francisco), which stipulated that homeowners cannot sue homebuilders unless they first allow the builder to inspect and have an opportunity to repair defects. The legislation applied only to homes built after January 2003. Because the law was not retroactive, it left an estimated 1.5 million homes statewide built in the previous 10 years vulnerable to so-called "shotgun" lawsuits, in which dozens of subcontractors are sued.

CalPASC believes that homeowners with legitimate complaints need to have their problems fixed by the subcontractor responsible. But the bigger fix concerns how to handle lawsuits that subcontractors say threaten to toss hundreds out of business.

Lawyers, however, contend that only the threat of lawsuits forces homebuilders to respond to complaints of faulty construction. Attorneys who have filed lawsuits against homebuilders say it's only when legal action is threatened that homeowners finally get some relief.

"The homebuyer needs to be assured that he's buying quality construction so that he's not plagued by depreciation values ... once the defects show up. At that point, the home owner has no recourse," said Thomas C. Miller, a consumer attorney with offices in Newport Beach and San Francisco.

Currently, negotiations in the Capitol are underway between insurers, homebuilders and specialty contractors to draft legislation that would change the way that lawsuits are conducted; for instance, allowing one set of attorneys to be designated for all defendants and allowing defense and repair costs to be apportioned according to fault.

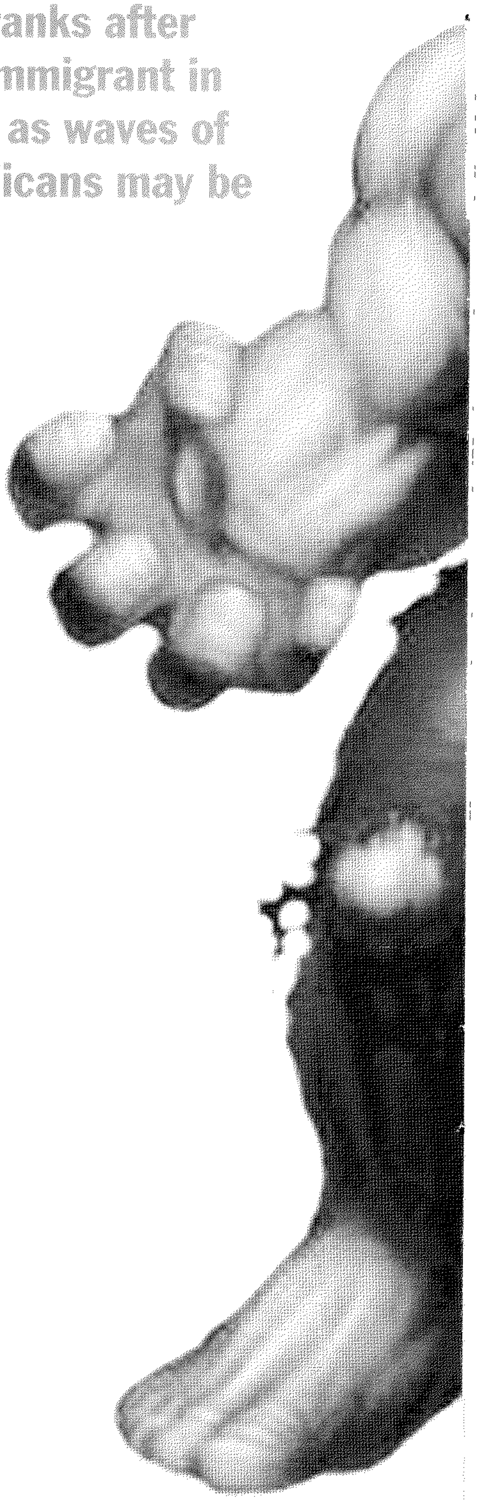
Meanwhile, in some communities, local Building Industry Association of California (BIA) chapters are urging their homebuilder members to avoid costly litigation by dealing promptly and more actively with unhappy homeowners.

— CJ Editors

From "Sleeping Giant"

Latino voters boosted the Democratic Party's ranks after Republicans became identified as anti-illegal immigrant in supporting Proposition 187 a decade ago. But as waves of Latino immigrants mature and prosper, Republicans may be better able to compete for their affections.

By Anthony York



Throughout the 1990s, many journalists and political scientists routinely referred to the state's Latino voters as a "sleeping giant." Now, 10 years after the controversy surrounding Proposition 187, it may be more accurate to compare Latino voters to David Banner, the alter ego of the "Incredible Hulk." David Banner is an ordinary guy — quiet, hardworking, just trying to make his way in the world like everyone else. But when provoked, he transforms into something larger than himself, and wields unmistakable force against whomever or whatever unleashed his anger.

If the state's Republican Party has learned one thing about the Latino vote in the last decade, it may well be David Banner's famous refrain: "Don't make me angry. You wouldn't like me when I'm angry."

Latinos got angry at the GOP after Pete Wilson's successful 1994 re-election campaign and the party's support for Proposition 187, which sought to eliminate social benefits for illegal immigrants. As much as the policy itself, it was the tenor of those campaigns — which seemed to blame immigrants for the state's fiscal woes — that led Latinos to become citizens and to register and vote in droves, a most democratic form of revenge.

The surge in California's Latino vote in the years following Proposition 187 helped secure Democratic majorities in California for a decade. Throughout the 1990s, Democratic Party registration boomed; among new Latino voters, four were registering as Democrats for every one Republican. In Los Angeles County, Democrats enjoyed an 8-to-1 registration

to "Incredible Hulk"

advantage among new Latino voters. The result: Democratic Party registration skyrocketed, and Latinos helped provide Democrats with their margins of victory in close elections for the next decade.

But today, with Republican leaders like President George W. Bush and Governor Arnold Schwarzenegger sounding kinder and gentler on immigration and making efforts to reach out to Latino voters, California slowly is coming back into play as a partisan battleground. Republican political consultant Mike Madrid is among those who think his party's success in 1994 — Wilson won and Republicans captured the Assembly — were Pyrrhic victories that helped ensure the state's GOP would be left to wander in the political wilderness for the foreseeable future.

"Democrats got huge majorities of new registrants after [Prop.] 187, but that was an anti-Republican vote, not a pro-Democrat vote," he says. "There's a whole generation of voter support [for Democrats] there, but they are losing that advantage at a fast pace. If Latinos start to take on the characteristics of the overall electorate, that's big trouble for the Democrats."

In fact, some researchers say the divisive campaigns of the 1990s reversed a nonpartisan pattern that was prevalent among Latinos in the 1980s. According to Harry Pachon, president of the University of Southern California's Tomas Rivera Policy Institute, new Latino voters in the 1980s registered as independents in large numbers. "They didn't fit neatly into the way our two major parties are set up," he says. "They were liberal on issues like gun control or health insurance, conservative on welfare, gay

Voter registration trends show anti-immigrant anger, the

rights and abortion. They really don't fit into one party's ideology."

Overzealous Republicans point to Schwarzenegger's victory in the recall election as proof that California is once again competitive for Republicans. In truth, the party's victory had a lot more to do with the governor's personal popularity, and Gray Davis' unpopularity, than it did the GOP's rehabilitated image. While California may not be in play now for any Republican not named Schwarzenegger, voter registration trends show that, in time, if Republicans can keep the lid on anti-immigrant anger, the Latino vote will be up for grabs. In fact, it may well be at the rapidly growing core of California's increasing political centrism. Latinos should certainly not be relied upon to vote consistently for Republicans. But as a group, Latinos and other moderate voters showed that if Republicans nominate moderate candidates, they can still be competitive in California.

Losing ground

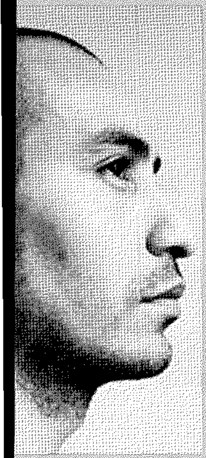
Among all voters, the power of the state's two major political parties is diminishing. Democratic and Republican registration either falling or holding steady, while the number of registered independents continues to rise. In 1999, 47 percent of all California voters were Democrats, 35 percent were Republicans and 13 percent were decline-to-state.

But as the anger from the early 1990s campaigns begins to fade, Democrats are losing ground among Latino voters. And that is driving down Democratic registration numbers statewide. As of February 2004, 43 percent of voters are Democrats, 36 percent are Republican and almost 17 percent are decline-to-state. In short, Republican registration has held about steady, while about 4 percent of voters who once registered as Democrats are now registering as independents. The registration gap between the two parties is closer than at any time since the 1930s, while the group of voters up for grabs is growing.

Whether they are the cause of this trend, or simply a reflection of it, Latino voters are part of the growing group of centrist voters likely to have a moderating effect on both parties in California for years to come. The inevitable increase in the number of Hispanic voters should facilitate the trend of those registering without party affliation and, ultimately, could drive both major political parties toward the center.

The results from the last couple of elections bear this out. In 1998 and 2002, Republicans nominated very conservative candidates — Dan Lungren and Bill Simon — as gubernatorial standard bearers. In 1998, 71 percent of all Latino voters supported Davis; statewide, he received 58 percent of the total vote. In 2002, Davis received 65 percent of the Latino vote and 47 percent of the overall vote. Put another way, the Latino vote was 13 percent more Democratic than the overall vote in 1998; 18 percent more Democratic than the overall electorate in 2002.

But in the 2003 recall, 54 percent of Latinos voted against the recall, while 55 percent of all voters voted in favor. With the moderate Schwarzenegger at the top of the ticket against a very unpopular Democratic governor running for the first time as a "progressive," Latinos increasingly turned toward the Republican Party. This indicates that Latinos, like many other California voters, are willing to cross party lines to support a Republican, but they are not likely to support conservative Republican candidates, particularly if the Democratic nomi-



A growth spurt among Latinos

One in every three Californians is Latino — about 12 million residents, according to the 2000 U.S. census. With the largest Latino population in the U.S., California is the country's first "minority-majority" state, as non-Hispanic whites now represent less than half the population.

Latinos lag at the voting booth

Although they represent 13% of the state's likely voters, Latinos are the least likely to go to the polls, compared to all ethnic groups, according to the PPIC. Nevertheless, the Latino vote has risen dramatically in recent years — from 4% in 1990 to 14% in 2000, according to exit polls.

Latino voters concentrated in the Southland

Sixty-six percent of all Latino voters live in Southern California, with two in three (40%) in Los Angeles County alone. That compares with only 22% of non-Hispanic white voters who live in Los Angeles. Latino and non-Hispanic white voters are more likely than black and Asian voters to live in California's Central Valley.

Source: Public Policy Institute of California, September 2003

that, in time, if Republicans can keep the lid on
Latino vote will be up for grabs.

nee is a centrist.

A recent survey by the Public Policy Institute of California confirmed what is often reported about Latino voters — although 40 percent of all Latinos consider themselves "liberal," they have more conservative views on social issues such as abortion and gay marriage. Part of the confusion and the apparent contradictions that arise when trying to neatly summarize the Latino vote is an over-emphasis on the ethnic lens. In reality, class identification may have more to do with their voting identity than any sort of ethnic grouping.

"Most Hispanics, new immigrants and new voters, when you ask them how they identify themselves, they say, 'working families,'" says Pachon.

Labor and new immigrants

For now at least, the economic status or class identification of most Latino voters appears to trump any disagreements they have with Democrats on social issues, according to Pachon. In Los Angeles, labor leaders like Miguel Contreras, executive director of the L.A. County Federation of Labor, have capitalized on the sea of new immigrants pouring into Southern California. Contreras was instrumental in stemming some of the same debates within the Democratic Party and labor movement that Republicans were having over immigration. While many in organized labor viewed illegal immigration as a threat to union members, Contreras advocated opening the doors to Latino immigrants and, by doing so, fundamentally altered the political landscape of California.

It is no accident that many of the state's new crop of Democratic Latino leaders — from Speaker Fabian Nuñez to Los Angeles City Councilman Antonio Villaraigosa to Senator Gil Cedillo — have their political roots in the labor movement. They are also the sons of immigrants.

The question is: What happens to the state's voting patterns as these new immigrants have children who receive university educations and become more affluent? Will they migrate toward the Republican Party, as so many other immigrant groups in America have before them?

"That's the $64,000 question in California politics," Pachon says. "Will Latinos resemble Italian Americans, a group that became more open to more party appeals as they assimilated and became more affluent? Or will they be more like Jewish Americans, who continue to be part of the backbone of the Democratic Party, even though they've moved up the social ladder?"

Although Latinos are the fastest growing ethnic minority in the state, now comprising more than one-third of California's population, Latino voting power has ebbed from its peak in the late 1990s. Simple statistics make it clear that this is a temporary dip. By 2025, the state will be a majority Latino state. And while the Latino percentage of the state's voting population may lag a bit behind its demographic growth, it will catch up eventually. New and recent immigrants were

The Community College League of California salutes the 81,000 faculty, staff and elected trustees that serve students at the 109 community colleges across California.

75,000 associate degrees

51,000 transfers

45,000 vocational certificates

California Community Colleges
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radicalized by Proposition 187, signing up for the state's voting rolls "prematurely."

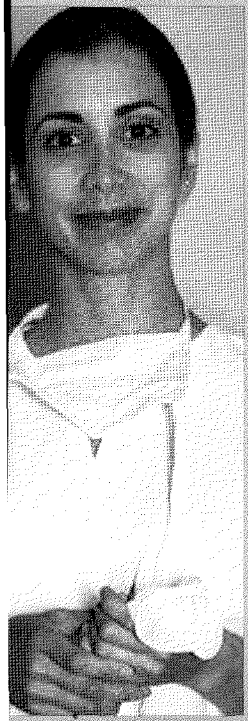
But normal patterns of demographic change tell us that as the expanding Latino population takes root in California — graduates from college, buys houses, starts businesses — it will begin voting in larger numbers. In the November 1998 election, according to *Los Angeles Times* exit polls, Latinos composed 13 percent of the state's voters. In November 2002, though the number of Latinos in California had increased, only 10 percent went to the polls.

While Latinos continue to be reliable Democratic voters in this state, their most profound political impact may well be on the Republican Party. In the March primaries, a number of Republican candidates ran campaigns that focused on, or at least mentioned, the issue of immigration. In particular, U.S. Senate candidate Howard Kaloogian ran almost exclusively on the immigration issue but never managed any traction. Like Kaloogian, other Republicans who focused on immigration, from state Senate candidate Ken Maddox to congressional candidate Rico Oller, were rebuffed by Republican voters.

While both parties have their internal battles on hot-button issues like immigration, primary voters have avoided candidates who take a harsh tone on immigration. Among Democrats, there is a desperate attempt to put down a raging battle within the Sierra Club over the immigration issue. And Republicans, in making their appeals to Latino voters in California, like to point out President Bush's proposed amnesty plan or the fact that Governor Schwarzenegger is negotiating with Senator Cedillo to craft a bill allowing driving privileges for illegal immigrants.

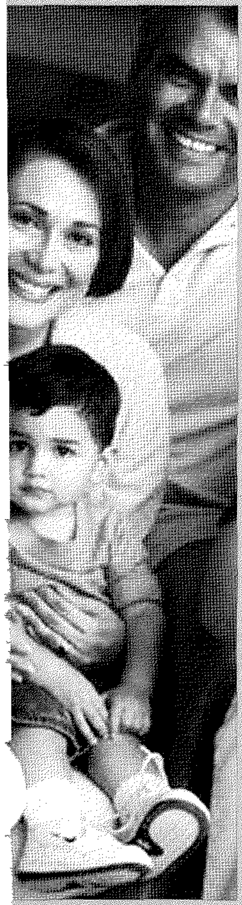
"Oller and Kaloogian, they were rejected by their own party," Cedillo said. "That's a big, big difference from where we were 10 years ago. It seems as if the Republicans have actually learned something from the fallout from 187."

Anthony York is editor of Political Pulse. *Comments may be sent to* **comments@californiajournal.com**



Latino voters are younger, have less income and less college

Roughly a third of Latino voters are under the age of 35 (37%), rent their homes (33%), and have no college education (31%). About 40% live in households with annual incomes below $40,000. In age, Latino voters are similar to Asians. In income levels and home ownership, Latino voters are similar to blacks. Among all ethnic voter groups, Latinos have the lowest level of education and Asians the highest.



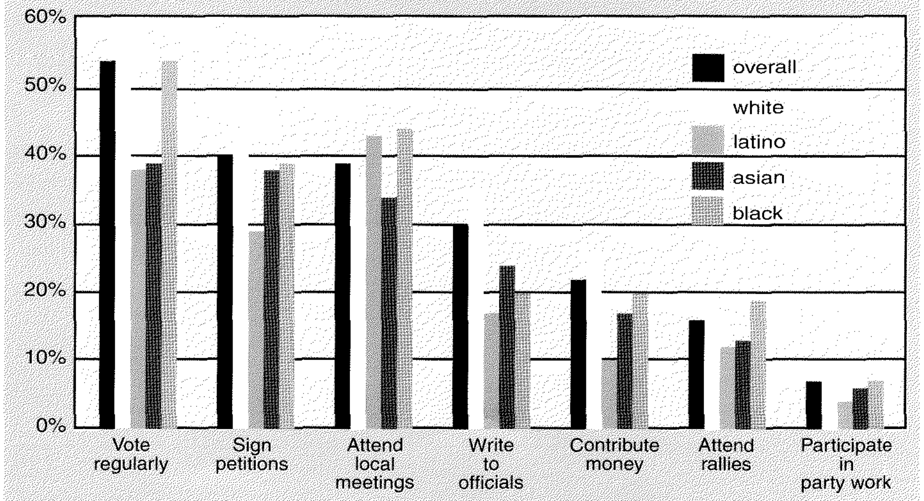
Latino voters defy easy political labels

Although the majority of Latino voters are registered Democrats, they align themselves almost equally across the political spectrum. Roughly 37% describe themselves as liberal; 31% call themselves middle-of-the-road and another 32% say they're conservative. They express conservative views on social issues (abortion and gay marriage) and liberal views on economic (taxes, spending) and environmental issues. Compared to non-Hispanic white voters, they express greater trust in goverment and more optimism about the future.

Source: Public Policy Institute of California, September 2003

Political Participation by Ethnic Groups

In terms of political involvement, there's a wide disparity across racial/ethnic lines in California. Among all ethnic groups, Latinos have the lowest rate of voting regularly but are the most likely to attend local meetings on civic issues. The opposite is true for whites, who have the highest percentage of voter participation but lag behind most other ethnic groups in local meeting attendance. Blacks, according to the PPIC study, are more likely than Asians to vote regularly, contribute money to candidates and attend political rallies.



Source: Public Policy Institute of California,"The Ties that Bind," 2004.

MAY REVISE:

Is it budget deja vu?

By John Howard

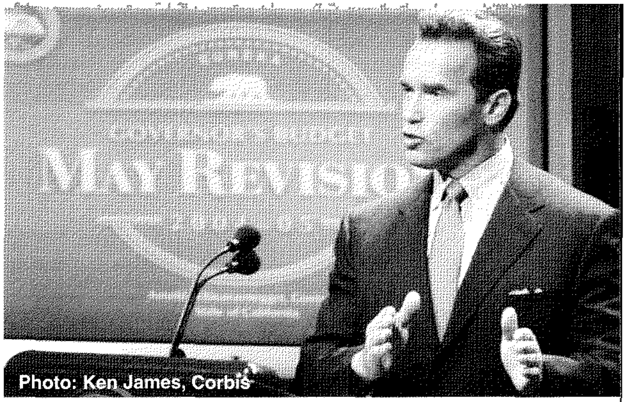


Photo: Ken James, Corbis

Gov. Arnold Schwarzenegger's recast 2004-05 state budget is eerily reminiscent of the budgets of his hapless predecessor, Gray Davis, who was tossed from office in part because of his budgets. There's borrowing, there's sleight-of-hand and, despite the budget deals he negotiated earlier, his proposal faces a fight in the Legislature.

Schwarzenegger's $102.8 billion spending plan is up some $3.7 billion from what he proposed in January. His emergency cash reserve of nearly $1 billion is almost 50 percent larger than he sought then, and he scrapped his plan to save $1 billion by forcing Medi-Cal doctors who treat the poor to take a 10 percent cut in reimbursements. Schwarzenegger also throttled back on a range of health care cuts and — in a major surprise — he dropped his plan to limit enrollment in health programs that include care for children of the working poor, prenatal services for illegal immigrants and help with costs of treating severely ill children.

He's not raising taxes — at least not directly, although fees for parks and some other state services are up. He's eschewing deep cuts, although he plans to carve out at least another $400 million from Medi-Cal later this year. He also eased the cut he sought for K-12 schools — about $2 billion — by some $500 million. Along with other money the schools receive, per-pupil funding will actually rise by $62 to $7,007.

So where's the money coming from?

He's borrowing it. He's promising to pay more later if people trust him now. He's assuming a healthier economy will bring in $1 billion a year more in taxes. In a startling move, Schwarzenegger demanded that the state get three-fourths of punitive damage awards from civil lawsuits, perhaps $500 million a year. He's taking money — $1.2 billion destined for voter-approved transportation programs — and using it to cover other budget holes, and he's borrowing $1 billion to help cover the state's pension-fund obligations. He's getting another $1.2 billion from a tax amnesty program that allows people to settle up tax bills without penalty.

The governor also is getting nearly a half billion dollars by renegotiating labor contracts with prison officers and hopes to save another $450 million through new contracts with other state workers' unions.

Schwarzenegger also can tap some of the proceeds from a $15.1 billion bond sale authorized by voters to pay off debt. Legislative Analyst Elizabeth Hill said Schwarzenegger's revised budget failed to deal with a long-term gap between revenue and spending — the so-called "structural deficit" — that will crop up each year unless political leaders resolve it. Indeed, "the state's long-term fiscal outlook relative to the [governor's] January budget plan has worsened," she added.

Unlike Davis, Schwarzenegger successfully reached agreements with powerful groups before announcing his revised budget on May 13.

The California State University and the University of California agreed to a short-term hit in return for a promise to get more funding down the line. Both systems are boosting tuition and plan to shift some 11,300 eligible students to community colleges for two years to save money. Local governments, meanwhile, agreed to a $2.6 billion, two-year cut in return for a constitutional amendment to protect future funding.

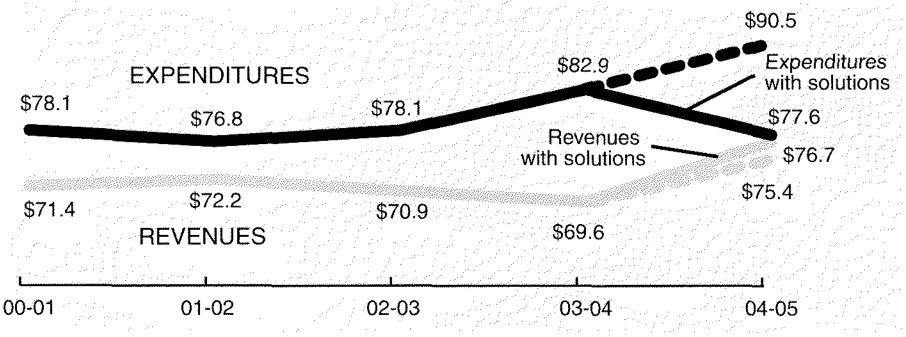
But pitfalls remain.

Democrats control both houses of the Legislature, and they say the tuition and enrollment pieces of Schwarzenegger's budget are likely to produce a bruising political fight.

"Higher education is probably No.1," said Assemblyman Darrell Steinberg (D-Sacramento), the budget committee chairman. "Students who have worked hard and are qualified to go to school should not be denied access to one of the campuses. This has been a proud tradition of this state... We will work to restore those funds."

Closing the gap

The graph illustrates how the state's $15.1 billion voter-approved loan will close the gap between revenues and expenditures.The dotted lines represent where expenditures and revenues would be, absent any changes.



Dept of Finance, May 2004.

A.G. Kawamura:
California's newest Agriculture Secretary

A pony-tailed visionary whose roots are firmly planted in the family farm.

By Alexandra Wagner

The Department of Food and Agriculture is an odd place for a utopian. After all, the agency's purpose is the earthbound charge to provide "a safe and reliable supply of food and fiber."

But A.G. Kawamura, the state's new Agriculture secretary since November, embodies the lofty ambitions of dreamers who have been coming to the Golden State for generations.

At first glance, the UC Berkeley grad with the waist-length ponytail, who majored in comparative literature, appears out of place dealing with mundane matters of crop yields, pest infestations and genetically modified food.

But the screen saver on his desktop computer gives him away. Images of luscious strawberries glow on his monitor, reminding visitors that Kawamura is a third-generation strawberry farmer from Orange County.

As such, the secretary knows intimately the financial and nutritional value of the state's 350 crops — most of them unique specialty fruits, vegetables and nuts that make California the nation's leading agricultural producer and exporter.

When Governor Arnold Schwarzenegger appointed him last November, Kawamura said the governor's instructions were to expand California's $28 billion agricultural industry and increase its exports to help lift the state out of its massive budget deficit.

"The governor and I have an understanding that the state has enormous potential," said Kawamura, and they share a belief that California could become, through an "agricultural Renaissance," the third or fourth largest economy in the world.

A spokeswoman for the governor, Marybel Batjer, said Kawamura's appointment was based on his expertise as a farmer and community leader — and his only marching orders from the governor were to "work hard and make quick and informed decisions."

Agricultural roots

Based on his farming background and his resume, Kawamura's appointment came as no surprise in many agricultural quarters. A Republican, Kawamura was chair of the Western Growers Association, which represents fresh produce growers in California and Arizona — and endorsed Schwarzenegger in the recall election. Kawamura also knows the political territory, having served on the state board of food and agriculture. On his home turf, Kawamura is former president of the Orange County Farm Bureau and the Orange County Agricultural Association.

"[Kawamura] was a great choice," said Assemblywoman Barbara Matthews (D-Tracy), chair of the Assembly Agriculture Committee, who recently worked with the secretary in urging Congress to allocate $180 million for statewide agricultural marketing funds. "He's an experienced agricultural professional."

In college, Kawamura set out to become something far different. "I thought I wanted to be a writer," he explained. "I had studied Spanish in high school and could speak it pretty well, so I combined that with English into a comparative studies major." He took classes at UC Berkeley in Third World development and resource conservation science. "I was always interested in issues in hunger and how the world would ever get to the point where everyone would have enough to eat."

Perhaps that's what lured him back to farming. After college, the would-be writer moved back to Southern California and began working on his family's farm in Orange County.

Twenty-six years later, Kawamura and his brother own more than 600 acres where they raise strawberries, beans and other specialty crops for sale and export. The 47-year-old farmer and his wife also have raised two children — an adult son who's a singer/songwriter and a daughter who's a freshman at Barnard College in New York.

A progressive or pragmatist?

The success of his farming operation leads many to believe it may not be so far-fetched for Kawamura to lead California agriculture in boosting the state's economy.

"A.G.'s background and his ability to farm in an increasingly difficult environment, on top of his progressiveness, put California in a very good position to deal with

A.G. Kawamura, fluent in Spanish, oversees one of Orange County's largest produce operations, passed down from his grandfather.

issues regarding agricultural market demands," said state Senator Mike Machado (D-Linden), who chairs the Senate Agriculture Committee.

Others are less convinced that Kawamura will lead California in the right direction. The United Farm Workers, for instance, see his appointment as a gain for corporate agriculture at the expense of farm workers.

"The [WGA], of which the secretary was the former chair, has been trying to kill the UFW since the time of inception. They want Kawamura to be the new face of the corporate agricultural industry because of his ponytail and stuff," said Mark Grossman, a spokesman for the UFW in California. "He doesn't fit their [typical] profile."

Others, however, are not worried about Kawamura's ties to corporate agriculture. Pete Price of the Community Alliance of Family Farmers believes Kawamura has "the well-rounded vision farmers need. Kawamura brings the passion for nutrition and hunger that you just don't normally find in someone with his ties," Price added.

Kawamura pleasantly surprised many consumer activists and public safety groups when he recently blocked a request by the bioengineering firm, Ventria Bioscience, to begin planting pharmaceutical rice in California.

In March, the California Rice Commission approved

Ventria's plan to begin planting commercial plots of pharmaceutical rice in Southern California, but Kawamura later rejected the request because the firm did not have all of the necessary federal permits.

"We were very appreciative that the secretary listened to the public and denied Ventria's request," said Elisa Odabashian of Consumers Union (CU), the nonprofit that lobbies on behalf of consumer protections. Odabashian said the CU has often petitioned the CDFA on similar issues but this was the first time she felt they had the ear of California's agriculture secretary.

Despite his veto, Kawamura insists he is not against the use of biotechnology in agriculture.

"The science of genetics is something that agriculture has been a part of from day one, from hybrid seeds to cross-breeding that dates all the way back to Mendel," said Kawamura. "The technology is still new, so there are still some gaps in the public's understanding," he added.

In addition to biotechnology, Kawamura's handling of such touchy issues as pesticide use continues to attract attention.

"California is overly-dependent on the use of pesticides," maintains Dan Jacobson, legislative director of Environment California, the environmental arm of the California Public Interest Research Group (CALPIRG). "We're watching very closely to see what the secretary is going to do to reduce their use."

But Kawamura disagrees that the state is overly-dependent on pesticides. "The actual use of agricultural tools, call them pesticides or not, has evolved way beyond the public's understanding," he explained. "People think we're still in the '50s, '60s or '70s ... but the agricultural tools we have today are substantially safer than what the public thinks. There's a lot more regulation and a lot more understanding of protections for farm workers, of protections for consumers. The public demands it in this state."

Hungering for a difference

Ever the visionary, Kawamura sees it as his duty to help redefine California's relationship with food and improve the diet of the state's 36 million residents.

"We seem to have forgotten in society how critical it is to pay attention to the diets of young people," said Kawamura. Improving the health and diet of Californians, he believes, will also stimulate the state's economy if consumers switch to eating more fruits, vegetables and other California-grown commodities.

It's what he's preached through his work at Orange County Harvest, where hundreds of kids and teenagers harvest food for the hungry.

Like all heads of state agencies and departments, Kawamura expects to encounter his share of tight budgets. In fact, for the past five years, the CDFA's overall budget has decreased, including programs in outreach and export assistance that Kawamura believes are essential to promoting the state's agricultural economy.

But when it comes to projects fundamental for protecting the state's food supply, such as border inspection stations, Kawamura declared he will not tolerate severe budget cuts.

"We have got to keep the border stations open because you might keep out things that are as sinister as SARS or invasive weeds," said Kawamura.

Although the state's fiscal crisis and lagging economy would test even the hardiest utopian, the strawberry farmer-turned-state-executive remains upbeat about California's agricultural prospects and Governor Schwarzenegger's ability to help agriculture reach its full potential.

Kawamura said the governor has already embraced the CDFA's "Buy California" campaign—a program designed to encourage the consumption and sale of California grown foods.

"We're thrilled by the governor's participation in this program," said Kawamura. "His ability to help us in those overseas markets and to help us gain specialty crop grants from the USDA has enabled us to create advertising dollars for these programs."

A soft-spoken, thoughtful man who relaxes by playing guitar, Kawamura enjoys describing his visions of agriculture's role in California. Dreamer or pragmatist, Kawamura said he will have accomplished something if, during his tenure, California again becomes "a catalyst for dreamers."

Alex Wagner, a California Journal *intern, is a political science major at University of Pacific, where she is managing editor of the student newspaper,* The Pacifican. *Comments may be sent to* **comments@californiajournal.com**

A.G. Kawamura:

Personal:

Born: August 27, 1956
Married, two children

Education:

Bachelor's degree in comparative literature, English and Spanish from U.C. Berkeley
Graduate of the California Agricultural Leadership Program

Career:

Produce grower and shipper, Orange County
Chairman of the Western Growers Association
President of the Orange County Farm Bureau
President of the Orange County Agricultural Association
Founder of Orange County Harvest, a nonprofit farming program that feeds hungry families

He began his agricultural career as a beekeeper and operator of a roadside produce stand, then entered the family business as a produce salesman in 1978.

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Katherine A. Flores, M.D.
Fresno

"The Doctor's Academy introduces disadvantaged youth to health professions and provides them with the support they need to be academically competitive for college and entrance into a health professional school. We remind the students that the Central Valley community needs their talents."

Linda Billey-Sevedge
Santa Maria

"If American Indian communities want to get something going in their communities with health care, legal services and education, we must get our youth into college. And then, we need people who will understand their needs and truly be there for them."

Priscilla Gonzalez, R.N.
Sacramento

"Starting my career from an entry-level position has given me a greater understanding of the type of training that is needed for health care providers. We must be creative and look for innovative ways of recruiting capable and caring individuals into the health professions."

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The California Wellness Foundation is proud to honor its 2004 Champions of Health Professions Diversity Award recipients. Each will receive a $25,000 grant acknowledging her commitment to increasing diversity in the health professions.

While more than 50 percent of Californians are from communities of color, only 12 percent of nurses and 10 percent of physicians reflect this diversity. Each of the awardees is a visionary who has created opportunities for students from underrepresented communities to enter the health care workforce. Learning from personal struggle and experience, each recipient initiated programs that have successfully increased diversity among those who provide health services. These programs result in improved health for underserved communities through greater access to care, increased cultural competency among providers, and higher levels of patient trust.

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FRANKENSEEDS

Mendocino County's success last March in banning biotech crops has sparked a mini-revolution in other California counties. And that has the makers of genetically altered seeds scrambling for an antidote.

By Greg Lucas

Els Cooperrider doesn't seem like the mother of a grass-roots rebellion sweeping across nearly a quarter of California's 58 counties. A medical researcher for 20 years, Cooperrider emigrated from the Netherlands with her parents in 1957 when she was 13. Her father was an organic farmer.

Cooperrider and her husband, Allen, a Ph.D. zoologist, own the Ukiah Brewing Company, the nation's second certified organic restaurant. That means that everything — from the beer to the lettuce to the soup to the nuts to the cleaning products — meets the federal government's standards for "organic."

It was there at 102 South State Street in Mendocino County's bustling 15,000-resident metropolis that the current biotech rebellion was born. Cooperrider's love of organics and distrust of biotechnology led her to propose a countywide ban on genetically modified organisms (GMOs) — a prohibition on biotech crops even though none were being raised in the county.

The key to victory for Cooperrider was to lay low, then quickly gather the needed 2,579 signatures to place a GMO ban on the March ballot — before Monsanto, Dupont and the other purveyors of genetically altered seed could marshal the resources to squash her. Volunteers easily collected 4,200 signatures. More than 150 believers spread the word. She and a core group met every day. Nine coordinators took responsibility for different areas in the 3,502-square-mile county. Hand-painted signs supporting Measure H — "Keep Mendocino GMO free" — appeared in shop windows and farm entrances across the quirky and independent-minded county.

Then Croplife America, a trade association for the makers of gene-altered crops, lowered the boom. Their California cousin, the Plant Health Association, filed a lawsuit challenging the proposed ordinance's language.

The lawsuit got tossed. Croplife then hired Woodward and McDowell, veterans of ballot campaign strategy, to defeat the measure. Print and radio ads warned that taxes in Mendocino would go up if voters approved the ban. Either that or vital public services, like libraries, would be shuttered.

"They underestimated the intelligence of the people of Mendocino County. They thought with corporate bullying they could win," Cooperrider said.

By election day, Croplife had dropped $700,000 and admitted freely the price was worth it to avoid the fallout from a victory for Cooperrider. When the polls closed, however, Cooperrider and her team of volunteers and activists won handily. The margin of approval was nearly 57 percent to 43 percent — 15,746 votes to 11,881.

By passing the ordinance, Mendocino became the first county in the nation to ban the cultivation of genetically manipulated food. And, by doing, fired a shot across the bow of the biotech industry that's been heard around the world. Now Cooperrider fields e-mails from Italy, Brazil and New Zealand seeking her counsel. Counties in North Dakota and Missouri want advice.

Worst fears

Meanwhile, Croplife America's worst fear has come true with a vengeance. Not only was a precedent set in Mendocino but the setters of that precedent are eagerly helping anyone else who wants to follow.

Activists in 14 California counties are pushing bans on GMOs. A handful of those counties, including Humboldt, Butte and Marin, are gathering signatures to place the issue on the November ballot. And Cooperrider is helping. Recently, she brought activists from nine counties to Ukiah to offer strategy and insight on how their campaigns might succeed.

"They gave us a blow-by-blow on how to organize. They said we don't even know our best allies yet because other people will want to help. The meeting was very inspiring," said Teresa Campbell, a single mom and self-described "Mary Q. Public" spearheading a drive to ban GMOs in San Luis Obispo County. Some of Cooperrider's volunteers are aiding Campbell's fledgling effort to place an ordinance on the fall ballot.

"You see these things are happening at the county level because at first blush people think this can't be right, this is coming from 'The Matrix.' Then, after they look into it more, they say it needs more study since there is no 100 percent sure way to contain it," said Dan Jacobson, legislative director of Sacramento-based Environment California.

Croplife America now directs calls about anti-GMO ballot measures to BIO — the Biotechnology Industry Organization. The passage of Measure H has "no market impact," according to Lisa Dry, BIO's communications director.

"There aren't any biotech crops grown in Mendocino today. There weren't before the measure or after," said Dry. "So does it have a huge impact on the industry? Not today."

Cow flops, say environmentalists and other opponents of gene-altered crops. Cooperrider's Mendocino victory proves that men and women of guts and gumption can slap down soulless corporations, they say. Since the victory,

> **“They underestimated the intelligence of the people of Mendocino County. They thought with corporate bullying they could win.” — Els Cooperrider**

Cooperrider has been expecting a lawsuit challenging the ban. But it might not ever be filed because, as Consumers Union and others insist, federal law doesn't prevent such local bans.

“They don't appear to be pre-empted on this,” said Michael Hansen, a researcher with Consumer Policy Institute in New York. “Counties are just banning the planting of GMOs. It doesn't say they can't be sold or be in the food. It just says you can't plant them here. There are all sorts of things various communities don't allow.”

But what worked in Mendocino may not work elsewhere.

Mendocino is dinky. Of its 87,240 citizens, just a hair over 47,000 are registered voters. The difficulty of qualifying a ballot measure grows exponentially depending on a county's size. Signature gatherers also should assume a 30 percent error rate, making the task of drumming up enough signatures even more daunting.

Assuming the 30 percent error rate, Humboldt activists need 7,000 signatures by July 7. In Butte County, it's more than 8,000. San Luis Obispo needs 10,600. Alameda, one of the counties represented at Cooperrider's recent briefing, would need to collect more than 44,000 signatures.

That's one reason some counties, like Sonoma, are attempting to convince their local board of supervisors to place the issue before voters.

“Sonoma County cannot tolerate, economically or environmentally, genetically engineered food crops,” said Dave Henson, executive director of the Occidental Arts and Ecology Center. “Our strategy is to have the board put it on the ballot themselves after we assemble a broad alliance of growers, businesses, environmentalists, city governments and health professionals to back it.”

The biotech industry will likely learn from its Mendocino lesson and, in the next local campaign, more artfully tailor its attacks to the audience, several political consultants say. With a $6 million nut, the industry crushed a 2002 Oregon ballot measure mandating labeling of genetically engineered products. As more counties attempt to join Mendocino, pressure also grows on state lawmakers to act. The biotech industry favors a new law to strip counties of the power to pass any bans and vest that authority in the state.

“What's going to happen is we're going to get this patchwork quilt of farming regulations across California, which I don't think is good for agriculture, either traditional or organic,” said Steve Beckley, president of the Plant Health Association, a proponent of pre-empting county bans.

The Ukiah
DAILY JOURNAL
County voters ban GMOs

Els Cooperrider, owner of the Ukiah Brewing Company, holds up the Mendocino paper headlining the ban on genetically modified food.

So far, there is no sign of such a bill being introduced, but environmentalists fear a last-minute effort during the chaotic final weeks of the legislative session.

Growth in GMOs

Use of genetically altered crops is on the rise, according to the Biotechnology Industry Organization. Global plantings rose by 15 percent in 2003 over the previous year and now cover 167 million acres worldwide. The crops are grown by 7 million farmers in 18 countries, up from 6 million farmers in 16 countries in 2002. Worldwide, 63 percent of the crops are cultivated in the United States. Argentina is second with 21 percent; Canada is third with 6 percent.

Biotech seeds mainly take two forms — they're engineered to either kill bugs or to withstand pesticides like Monsanto's Roundup. The bulk of the market is altered soy, canola, corn and cotton. Since 1996, when the first commercial genetically altered seeds were sold, the number of acres of altered corn planted in the United States has risen from 4 percent to 40 percent. More than 70 percent of canola and cotton crops are genetically engineered. Soy crops are above 80 percent.

Companies like Dupont or Dow own patents on the altered crops. Farmers sign contracts with the manufacturers, who usually impose conditions on the grower about use of the seed, such as not saving it.

Frankenfood, opponents scream. Fish genes in tomatoes, itsy-bitsy spider bits in goats, mouse DNA in potatoes. The technology is too new, too untested, the profit lust too addictive, the perils of cross pollination too catastrophic, they contend.

The biotech industry dismisses these utterances as "scare tactics" but opposes any labeling rules on genetically engineered products.

"We don't know what's going to happen to these organisms as they cross-breed with other life forms and get out into the general food supply," said Angela Flynn, who is spearheading a drive for a GMO ban in Humbolt county that has gathered more than 4,600 signatures. "I don't want to be a guinea pig."

As is often the case, underneath the emotionally charged issues of tampering with life and jeopardizing future generations is money. Organic farming is a $20 billion-a-year industry. Organic growers in counties with GMO bans could win a marketing advantage, particularly in Europe where opposition to genetically engineered products is virulent.

Economic benefit was one of the arguments used by Cooperrider. Backers of Measure H seized on a sentence in the California Plant Health Association's lawsuit in which it asserted passage of the ordinance would give Mendocino farmers an unfair economic advantage.

"That's the bottom line for a lot of people, particularly in economies like Mendocino where they have a pretty significant export market to Europe and Asia," said Ryan Zinn, a campaign coordinator for the Organic Consumers Association.

It's also one of the few points upon which opponents and backers of GMO bans agree.

"A lot of it seems to be centered around marketing by the organic community trying to position their products as more healthy, more nutritious than other foods, either biotech or conventional," said Dry.

Worries over rice

The recent tussle over the planting of so-called pharma rice shows the economic worries aren't just limited to organic farmers. Rice Belt growers banded together with environmentalists to oppose Sacramento-based Ventria Bioscience from planting seeds containing human proteins usually found in breast milk and tears. Plants can replicate the proteins 30 times cheaper than a laboratory.

Forty percent of California's rice is sold to Japan — by any standard a finicky customer, and one that already tests the state's rice exports for 119 substances. Some growers feared their crop could be compromised, threatening access to the Japanese market. Even the possibility of contamination might close the market, some believed.

"California rice is the champagne of rice. There was a lot of worry and concern expressed by some growers. Some were afraid of the perception that our rice would be tainted," said Ann Schmidt, a spokeswoman for the California Rice Growers Association. "But there were some who weren't worried at all."

Ventria's compromise, narrowly endorsed by a state advisory panel, was to plant the rice in 10 Southern California counties — hundreds of miles from prime rice acreage. It was quite a surprise for many San Luis Obispo residents, Campbell included, that the county was selected as one of the proposed growing sites. Campbell and others asked the board of supervisors to approve a temporary moratorium on the planting of GMO seeds. Saying a ban might disadvantage county farmers, the five-member board voted down the moratorium, three to two.

That's when Campbell took her fight to the voters.

Ventria won't be planting any human protein seeds this year. The state Department of Food and Agriculture rejected the company's request for swift approval, effectively shutting the door on this year's growing season.

Global outlook

Whatever happens in other California counties, Mendocino's victory has been an inspiration to biotech opponents and a catalyst in forcing more scrutiny of the industry. In Vermont, where the biotech industry tried to derail a modest bill adding "genetically engineered" to the list of items required on seed labels, Cooperrider's success heartened the bill's supporters.

"It was an example that people were doing the same thing elsewhere. Proof that people all over the country are starting to do things and Vermont is now part of that," said Ben Davis, a lobbyist for the Vermont Public Interest Research Group.

Hansen, at Consumers Union, thinks Mendocino may even affect the battle in Europe over GMOs. In May 2003, the United States, Argentina and Canada filed a complaint with the World Trade Organization saying the European Union's de facto moratorium on genetically engineered products is hurting farmers. A WTO panel has been named to decide on the complaint.

The European Union's ban stems from the strictest genetic engineering labeling requirements in the world, which the industry says are too costly. The United States — and the biotech industry — want a policy of co-existence to give farmers a choice. It's the same pitch the industry makes in America.

GMO-free zones, including those in Wales, Italy, France, Austria and Germany, are scattered across the continent. More than 1,000 French mayors have declared their municipalities GMO-free. Half of Greece's 54 prefectures voted to do the same.

Mendocino's success weakens the United States' contention that such zones must be abandoned in favor of co-existence. "If they see us creating GMO-free zones, then why can't Europe keep theirs?" Hansen said.

Els Cooperrider is more than happy to help out.

"It's amazing to me we did this initiative. We're kind of a backwater, so to speak, in California. But we sure started something."

Greg Lucas is the Sacramento Bureau chief for the San Francisco Chronicle, *covering the Capitol and state issues since 1988.* Send comments to **comments@californiajournal.com**

The Catholic dilemma

by Dana Wilkie

Eighteen months ago, when Nancy Pelosi became House minority leader, a distant little storm threatened to overshadow the celebratory mood that accompanied her historic rise to power. At the time, little came of it. But as happens with storms, this one lingered on the horizon before moving in on Pelosi and many of her congressional colleagues who call themselves Catholics.

During her November 2002 campaign to become the first woman in history to lead a party in Congress, Pelosi tried to broaden her political appeal by saying she was a liberal Democrat, but also a "conservative Catholic." Church authorities in Pelosi's San Francisco district disagreed, however. The archdiocese of San Francisco ran an editorial reminding unnamed public officials that it is a "grave contradiction" to support legalized abortion — as Pelosi does — and also present oneself as a "credible Catholic."

> Many in the church argue that Catholic politicians are held to a higher standard than average lay people.

"We urge those Catholic officials ... to consider the consequences for their own spiritual well-being, as well as the scandal they risk by leading others into serious sin," read the editorial, which ran four days after a Catholic anti-abortion group complained that Pelosi was calling herself a "conservative Catholic" — apparently to blunt criticism that she was too liberal to lead her party.

The tempest got some media play, but soon died down. That is, until John Kerry's recent go-around with the Vatican. The Massachusetts senator's support for stem-cell research, legalized abortion and same-sex unions runs counter to church teachings. A top Vatican cardinal in April said a Catholic politician who supports abortion rights "is not fit" to receive Communion, though Kerry continues to do so.

Suddenly, the views of Catholic Democrats such as Pelosi — and her 66 Democratic House colleagues who are also Catholic — were a hot news item. House Democrats felt enough heat, apparently, that they compiled a list of positions they claim are more in step with Catholic teachings than those of the GOP: government support for the poor, universal health care, global AIDS relief, raising the minimum wage and child-friendly policies.

For many years, the tension between Vatican teachings and more liberal Catholic politicians was acknowledged but rarely addressed publicly. Many in the church argue that Catholic politicians are held to a higher standard than average lay people; because their positions and votes help shape public opinion and policy, it's important that their public views square with their professed Catholicism. Certainly there are church leaders saying so now, and this nation's 65 million Catholics are inclined to listen to them.

Kerry has a challenge in that many Catholics live in states with high numbers of electoral votes — California, Illinois, Texas, Florida and Ohio. A good chunk of those Catholics are enamored with President George W. Bush's family-values and faith-based agendas, and with the outspoken way he talks of his personal conversion. Kerry, a reticent New Englander uncomfortable with public expressions of faith, needs to find a way to challenge Bush's image as the "God-led" candidate.

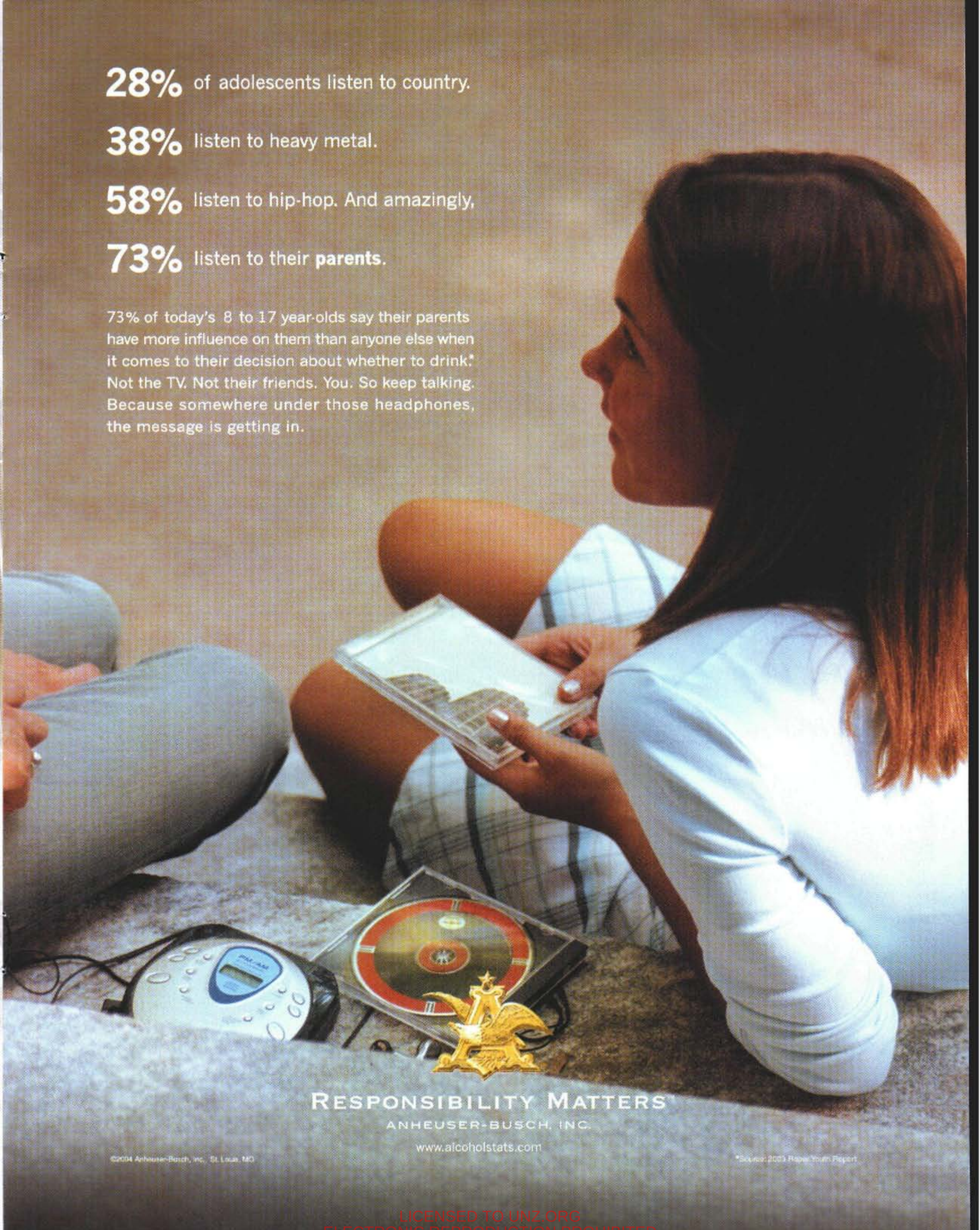
About one-third of this nation's Catholics are what experts like to call "Mel Gibson" Catholics: They are conservative, reliably Republican, and favor the Vatican's opposition to abortion, gay marriage and stem-cell research. Another third are so-called "cafeteria Catholics" — those who pick and choose the teachings they like. They are as likely to vote for a Democrat as a Republican. A final third are liberal Catholics, those who focus more on the social-justice teachings of the church — caring for the poor, redistributing wealth — than its moral dictates. Church experts say many of these Catholics tend to vote for Democrats.

It's these last two groups that Kerry and other Democrats can appeal to, said Laura Olson, a Clemson University professor and author of "Religion and Politics in the United States."

"John Kerry could stand to gain by ... emphasizing some of the social-justice teachings of the church in a way that counters [President] Bush's religiosity," Olson said. "If Kerry can say, 'I'm religious, too, and my church teaches you need to take care of the poor and have jobs with living wages,' I do think there would be ... a lot of Catholic voters who would say, 'Hey, that's consistent with how I view my Catholicism.'"

Given that the Democratic Party's hopes could hinge on these voters, it might do well to take a page from Olson's playbook.

Contributing Editor Dana Wilkie is a Washington, D.C., correspondent for Copley News Service. Send comments to **comments@californiajournal.com.**



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